



CERTIFICATE OF NEED APPLICATION
APPLICANT IDENTIFICATION AND CERTIFICATION OF
ACCURACY

1. Applicant Identification

Facility Name
Fairbanks Medical Imaging, LLC d/b/a North Star Radiology

Medicaid Provider Number
1571271

Facility Address (Street/City/State/Zip Code)
2310 Peger Road , 102
Fairbanks, AK 99709

Medicare Provider Number
PTAN# K163471, NPI# 1528360625

Name and mailing address of organization that operates the facility : :

Facility Administrator (Name, title, mailing address, including City/State/Zip Code)
Mark S. Tournie
2310 Peger Road, Suite 102
Fairbanks, AK 99709

Telephone 907-459-6555
Facsimile
E-mail

Applicant (Name, title, mailing address, including City/State/Zip Code)
Fairbanks Medical Imaging, LLC d/b/a North Star Radiology
2310 Peger Road, Suite 102
Fairbanks, AK 99709

Telephone 907-459-6555
Facsimile
E-mail

Principal Contact Person (Name, title, physical address, mailing address, including City/State/Zip Code)
Mark S. Tournie
125 N 18th Street, Suite C
Mount Vernon, WA 98273

Telephone (360) 428-7212
Facsimile (360) 428-7292
E-mail mtournie@northstarradiology.com

2. Ownership Information

A. Type of Ownership (check applicable category)

- ☐ For profit: individual
☐ For profit: partnership
☐ For profit: corporation

- ☐ Not for profit: government
☐ Not for profit: corporation
☒ Other (specify): LLC

B. List of all Owners (Page 2 of application)

C. Accreditation Information (Page 2 of application)

3. Agreement to participate in the Uniform Statewide Reporting System

I hereby agree to participate in the uniform statewide reporting system required under AS 18.07.101 when requested to do so under 7 AAC 07.105(c).

4. Certification of Accuracy by Certifying Officer of the Organization

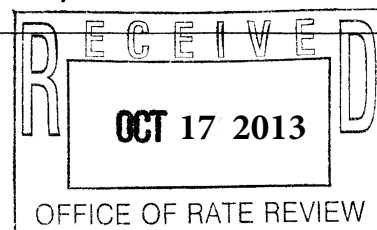
I hereby certify that the information contained in this application, including all documents that form any part of it, is true, to the best of my knowledge and belief. I agree to provide, within 60 days from receipt of a request from the department under 7 AAC 07.050(b), any additional information needed by the department to make a decision.

Name Kelley L Cline

Title President

Signature

Date
10/15/13



For Part 2.B. of the application form, provide the following ownership information under each requirement, using as much space as necessary to provide complete information:

(1) For individual owners and partnerships, list the names, titles, organizational name, mailing and street addresses, and telephone and facsimile numbers of the owner or partners.

Managing member: Skagit Radiology PS, Inc as sole member

Officers:

President /CEO Kelly L. Cline, MD

Vice President Lawrence D. Cambron, MD

Secretary Jamie R. Wong, MD

2) For corporations, list the names, titles, and addresses of the corporate officers and Board of Directors. If the facility is a subsidiary of another company or has multiple owners, provide the names and addresses of the all of companies that have ownership in the facility.

This is not a corporation

(3) For governmental or other nonprofit owners, list the names and addresses of hospital board members.

This is not a governmental or other nonprofit owner.

For Part 2.C. of the application form, provide the following information: Is this facility accredited or certified by a recognized national organization? X Yes ☐ No

If yes, identify the organization, the date of accreditation or certification, and attach as an appendix to this application a copy of the most current accreditation or certification.

The Computed Tomography Services were surveyed by the Committee on Computed Tomography Accreditation of the Commission on Quality and Safety and the Unit was approved for Adult and Pediatric Patients Head/Neck, Chest, Abdomen. The Accreditation status is for January 17, 2012 through January 17, 2015.

The Magnetic Resonance Imaging Services were surveyed by the Committee on MRI Accreditation of the Commission on Quality and Safety and the Unit was approved for Adult and Pediatric Patients Head/Neck, Chest, Abdomen. The Accreditation status is for December 27, 2011 through December 27, 2014.

Copies are in the appendix.

Section II

Summary Project Description

Section II. Summary Project Description

Provide a one-page summary of the proposed project including:

(1) A brief description of each proposed service, including whether equipment will be purchased or replaced and a list of that equipment.

INTRODUCTION

The following is an application for a certificate of need (“CON”) submitted on behalf of Fairbanks Medical Imaging, LLC, d/b/a/ North Star Radiology (“NSR”). However, by submitting this application, NSR is in no way waiving any rights it may have to contend that a CON is not required because NSR is exempt from the statutory requirements. Specifically, NSR is taking the position that it is not a “health care facility,” or in the alternative, it is an “office of private physicians,” as those terms are defined, and therefore is not required to obtain a CON. In order to avoid any confusion on the issue, the following represents the expressed understanding and official position of NSR.

As a starting point, only a “health care facility” is required to obtain a CON. AS 18.07.031. A “health care facility” is defined as a hospital, independent diagnostic testing facility, residential psychiatric treatment center, skilled nursing facility, kidney disease treatment center, intermediate care facility, and ambulatory surgical facility. AS 18.07.111(8). The definition goes on to expressly remove from its grasp any entity that is considered an “office of private physicians.” AS 18.07.111(8)(B). Therefore, if NSR does not fall within the definition of a “health care facility” or is an “office of private physicians” no CON is required.

Based on the above, it must first be determined whether NSR falls within the expressed definition of “health care facility.” The only entity listed within this definition that comes even remotely close to describing NSR is an “independent diagnostic testing facility” (“IDTF”). With this in mind, if NSR is not an IDTF, then it does not fall within the definition of “health care facility” and no CON is required.

In order to determine if NSR is an IDTF, the definition of an IDTF must be examined. Initially, when the statutory scheme dealing with CONs was first introduced in 1976, the definition of “health care facility” did not include IDTFs. It was not until 2004 that the term “IDTF” found its way into the definition of “health care facility.” Thereafter, in 2006, a specific regulation was promulgated defining what factors had to be met to be considered an IDTF. This regulation stated that an “independent diagnostic testing facility” means a fixed-location facility or mobile facility that is, or would be required to enroll as an independent diagnostic testing facility for purposes of Medicare or Medicaid reimbursement under 42 C.F.R. 410.33.” 7 AAC 07.012(b).

Applying this definition, NSR is not an IDTF. This is true because NSR is not designated as an independent diagnostic testing facility under the federal and state regulations. Instead, the federal government, through CMS, designates NSR as a Group Medical Practice (Medicare Provider #K163471) and Alaska Medicaid recognizes NSR as a Health Professional Group (Medicaid Provider #1571271).

Neither of these regulatory entities considers NSR to be an IDTF. Therefore, under this regulatory framework, NSR is not an IDTF and therefore not a “health care facility.”

As of August 11, 2010, these regulations were amended. However, it is the previous regulations, not the amended ones, which apply when determining whether NSR is considered an IDTF. This is true because NSR did not “construct a new facility,” but instead was purchasing an existing facility. At the time the existing facility was created, the previous regulations applied and since NSR was simply purchasing the facility, the previous regulations remain in effect for definitional purposes. In addition, applying the new regulations to NSR would be a violation of Due Process, which requires that an entity receive fair notice of a change in the law before that law can become mandatory. Thus, the definition of an IDTF found in the previous regulations apply, taking NSR outside the scope of a “health care facility.”

Even if the amended regulations apply, NSR is still not considered an IDTF. This is true because the amendment sought to narrow what was considered an IDTF. Specifically, the change was designed to allow a hospital, such as Providence, to partner with a smaller entity in order to perform radiological services, but not be considered an IDTF. The general thrust of the regulatory definition stayed the same, such that if an entity was designed and equipped solely to perform diagnostic testing using major diagnostic testing equipment for an independent diagnostic purpose” it was an IDTF. However, if the entity was designed and equipped to perform diagnostic services in addition to other medical services, it was not an IDTF. The key to determining whether an entity met this definition continued to be whether it was so classified using regulations governing Medicaid and Medicare. Therefore, NSR remained outside the scope of the definition of an IDTF even after the amendment.

Next, when looking at the definition of an IDTF and when construing the definition of a “health care facility” it is clear that if the entity is an “office of private physicians” it is exempt from the need to obtain a CON under AS 18.07. This is true not only because it specifically says so in the statute, but also because an “office of private physicians” is removed from the definition of an IDTF.

In order to qualify as an “office of private physicians, a four part test must be met.” These four requirements are: (1) the business is owned entirely by physicians licensed in Alaska; (2) the office is not otherwise a health care facility; (3) the business provides assessment, diagnosis, and treatment of patients on an ongoing basis; and (4) the entity holds a valid business license. See 7 AAC 07.001(b). If a business meets these criteria it is not required to obtain a CON.

First, NSR is wholly owned by Skagit Radiology, Inc. P.S., a professional corporation of board certified, licensed, radiologists which comprise 100% of the shareholders. Since all of the shareholders hold a valid license to practice medicine in Alaska, this requirement is met.

With regard to the second requirement (“the office is not otherwise a health care facility”), this suggests that the entity in question is not among those entities specifically enumerated within the definition of “health care facility.” Again, the only entity even remotely close to describing NSR is an IDTF. Since an office of private physician is also excluded from this definition, NSR meets this element of the test. While this definition is somewhat circular, in that the definitional sections seem to fold over itself, the clear mandate of the statute, in conjunction with the regulation, is that an office of private physicians is neither an IDTF, nor a health care facility. In the end, NSR is, by design, an office of private physicians and not an independent diagnostic testing facility, nor a health care facility.

Next, with regard to the third requirement (“the business provides assessment, diagnosis, and treatment of patients on an ongoing basis”), NSR clearly provides the assessment and diagnosis of patients. NSR also treats these patients on an ongoing basis. The term “treat” is not defined in the statute and therefore it must be given its normal and customary use. Most medical dictionaries define the word “treat” as “to care for medically,” medically being defined as “of, relating to, or concerned with physicians or the practice of medicine.” Therefore, if you are using your skills as a physician to care for a patient, you are “treating” them. The court in Petty v. Sloan, 277 S.W.2d 355, 360 (Tenn. 1955) defined the word “treatment” as “taking all steps to effect a cure of injury or disease.”

With these definitions in mind, there can be no question that NSR provides the treatment of patients. NSR’s treatment facet of patients is imaging. It offers procedures, which can be therapeutic, such as thoracentesis (the removal of fluid from the lungs alleviating shortness of breath), paracentesis (the removal of abdominal fluid relieving pressure and pain), lumbar punctures (removal of fluid relieving pressure) and even dual purpose, diagnostic/therapeutic treatment (such as aspirating a cyst-like mass in the breast making the mass and the pain go away). Other treatments provided by NSR include hysterosalpingograms, steroid/anesthetic joint injections, tenograms, and post traumatic pseudoaneurysm treatment with compression and/or thrombin injection. Therefore, based on the vast array of treatments offered by NSR, it clearly meets the third prong of the test.

Fourth, NSR has a valid business license (Alaska business license #950750). The current status of this business license is active.

With the above discussion in mind, NSR remains convinced that it falls outside the scope of “health care facility” and is therefore not required to apply for, or obtain, a CON in order to operate. Again, nothing within this application should be perceived as waiving the right to maintain the position that no CON is required.

PROPOSED SERVICE

The project by Fairbanks Medical Imaging, LLC (FMI) d/b/a North Star Radiology (NSR) relocated an established physician office practice providing imaging and image guided therapeutic procedures¹ from 1320 22nd Avenue, Fairbanks, Alaska to 2310 Peger Road, Fairbanks, Alaska. The project adds a CT scanner, expanded existing fluoroscopy services with a Quantum Xray room, replaced an existing MRI scanner which is not subject to CON review. The CT scanner and MRI scanner are referenced in the Certificate of Need statutes, regulations and standards. There is no standard for an Xray room. Medical office space does not require a CON, but medical office space construction and the lease cost for clinical areas are included in this application. The project is 100% owned by board certified, licensed physicians (radiologists).

Brief History

In 2010 FMI entered into an agreement to acquire certain assets and liabilities of Fairbanks Community Imaging, LLC, (FCI) an Alaska limited liability company. The acquisition is not considered a construction project and a CON is not required for the acquisition.

Included in the transaction between Fairbanks Medical Imaging, LLC and Fairbanks Community Imaging were the following assets and liabilities:

1. GE Mobile MRI lease that included the replacement of the existing Mobile MRI with a fixed site unit.
2. GE Valuson 730 Ultrasound lease.
3. X-ray capabilities with GE OEC 9900 C-Arm with Fluoroscopy table lease.
4. Sublease at 2310 Peger Road, Fairbanks, Alaska 99709. Fairbanks Community Imaging, LLC, whose sole members / owners John McCormick, entered into the Medical Office Building lease September, 2009.²
5. Office equipment and other assets, and employees.

Of note, the same type of transaction occurred when the Greater Fairbanks Community Hospital Foundation acquired the Tanana Valley Clinic (located in Fairbanks, Alaska) which included diagnostic imaging service including a MRI unit, CT scanner, diagnostic x-ray, and ultrasound. This activity was not considered a construction project and did not require a CON.³

¹ Therapeutic procedures such as thoracentesis (the removal of fluid from the lungs alleviating shortness of breath), paracentesis (the removal of abdominal fluid relieving pressure and pain), lumbar punctures (removal of fluid relieving pressure) and even dual purpose, diagnostic/therapeutic treatment (such as aspirating a cyst-like mass in the breast making the mass and the pain go away). Other treatments provided by Fairbanks Medical Imaging, LLC d/b/a North Star Radiology include hysterosalpingograms, steroid/anesthetic joint injections, tenograms, and post traumatic pseudoaneurysm treatment with compression and/or thrombin injection.

² FCI members / owners participated in the August 26, 2009 Community Groundbreaking for The Surgery Center of Fairbanks and Medical Office Building, featured speakers were State Representative John Coghill, and Jay Ramras, and Fairbanks North Star Borough Mayor Jim Whitaker.

³ October 26, 2007 The department received a request for determination from the Greater Fairbanks Community Hospital Foundation for acquisition of the Tanana Valley Clinic for an undisclosed amount. Banner Health will operate the clinic under a contractual relationship with the Foundation similar to their contract with Fairbanks Memorial Hospital. On November 15 a determination was made that a CON was not required because the activity is

FCI, an office of private physicians (radiologists) established their business in 2007 and seeing patients in 2008 providing diagnostic and image guided therapeutic (treatment) procedures at 1320 22nd Avenue, Fairbanks, Alaska. On September 24, 2009 FCI entered into a lease with Fairbanks MOB, LLC, to relocate their physician office group practice on the planned Surgery Center of Fairbanks medical campus, located at the corner of Peger Road and Davis Road, now known as 2310 Peger Road, Fairbanks, Alaska.

Fairbanks Medical Imaging, LLC d/b/a North Star Radiology took over the office practice location at 1320 22nd Avenue, Fairbanks, Alaska and continued to provide the same services as FCI had performed until the Peger Road location was ready for occupancy on July 11, 2011.

The Peger Road office space is in a medical office building adjacent, but connected by a corridor, to the building housing The Surgery Center of Fairbanks.

Fairbanks Medical Imaging, LLC d/b/a North Star radiology is recognized by the Centers for Medicare and Medicaid Services (CMS) as a group medical practice. Alaska Medicaid recognizes the group medical practice as a Health Profession Group. The group medical practice provides diagnostic imaging and therapeutic (treatment) procedures and has increased patient access, availability in a cost effective setting with lower costs to the patients.

(2) The number of square feet of construction/renovation.

4800 SF, with 1661 direct clinical and 3139 SF non clinical space

(3) The number and type of beds/surgery suites/specialty rooms

There are no beds or surgery suites/specialty rooms as this is not a hospital and is not a surgery center.

4) Services to be expanded, added, replaced, or reduced.

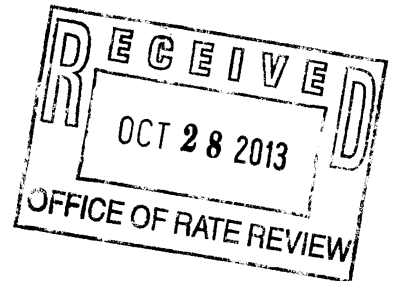
Expanded services: Fluoroscopy (X-ray). Added services: CT scanning

Replacement services: There is a routine Replacement of a mobile MRI with a fixed site. The outpatient physician practice expenditure for the MRI system is considered to be a routine replacement of equipment based on MRI leased was a 2008 mobile unit in a trailer and was planned to be replaced with a fixed unit with the move to the new location. This was planned when the lease for the Peger space was signed in September 2009.

The costs to dismantle an older mobile were not cost effective and would not be able to be placed into the building. The useful life of an MRI according to the Estimated Useful Lives of Depreciable Hospital Assets, 2008 edition is 5 years.

- a. The existing equipment had served the Fairbanks Borough since 2008 and has been an important service. It was reasonable to continue to offer essentially the same service with newer equipment.

(5) The total cost of the project	\$2,153,392.22
Clinical cost	\$1,133,125.89 (detailed below)
Non-clinical expenditures	\$ 956,364.73 (details follows)
NPV lease for clinical square footage	\$ 63,901.60 (detail in Appendix)

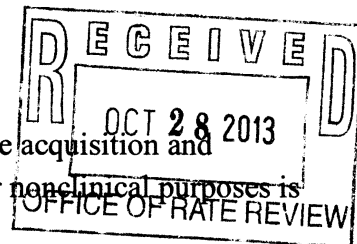


Property Description	Date In Service	Cost
Clinical		
<u>Group: FURNITURE & EQUIPMENT</u>		
SOMATOM EMOTION 16 Q1-2510HK	8/25/11	340,000.00
XRAY QUANTUM TUBE	8/15/11	61,213.03
XRAY CR SYSTEM READER	7/11/11	41,000.00
MRI WHEELCHAIR	7/26/11	2,955.34
MRI TRANSPORT GURNEY	8/09/11	4,534.98
MRI INJECTOR	6/10/11	55,004.55
PT SPOT VITAL SIGNS MONITOR	8/11/11	2,411.24
CRASH CART	9/13/11	<u>3,006.75</u>
TOTAL		<u>510,125.89</u>
<u>Group: BUILDING & BLDG IMPROV.</u>		
LEASE IMPROVEMENTS		623,000
Clinical Grand total	Grand total	1,133,125.89

Non-clinical Expenditures: 7 AAC 07.010 (e) Provides that Nonclinical expenditures are excluded⁴. Fairbanks Community Imaging is an enrolled Medicaid provider and the expenditure is not included in the Medicaid prospective payment rate methodology under 7AAC 150. Information about the nonclinical expenditures is detailed below describing the purpose of

⁴ 7 AAC 07.010 (e) For purposes of determining whether AS 18.07.031 (a) applies to a specific activity, the department will exclude an expenditure for a nonclinical purpose if (1) the sponsor of the activity is an enrolled Medicaid provider, and that expenditure is not included in the Medicaid prospective payment rate methodology under 7 AAC 150 and (2) the applicant submits information to the department that explains to the satisfaction of the department (A) the purpose of the expenditure; (B) how the expenditure is for a nonclinical purpose only; and (C) the total project cost for all expenditures for nonclinical purposes.

nonclinical expenditure including administrative office space and the acquisition and replacement of nonmedical equipment. The total of expenditures for nonclinical purposes is \$956,364.73. Detail follows



Non-clinical	Date In	
Property Description	Service	Cost
<u>Group: BUILDING & BLDG IMPROV.</u>		
CHILLER PAD / PICNIC AREA	7/25/11	19,263.77
LANDSCAPING	7/25/11	4,258.31
FLOOR PATCH AT EXT WALL	7/25/11	3,379.61
	BUILDING & BLDG IMPROV.	26,901.69
<u>Group: COMPUTER EQUIPMENT & SOFT</u>		
COMPUTER EQUIPMENT	2/23/11	38,473.98
CISCO 48 PORT	4/01/12	2,021.28
CISCO FIREWALL BUNDLE	5/17/12	1,647.67
INTERFACE MODIFIER	7/17/12	655.90
FUJITSU COLOR DUPLEX SCANNER	10/12/12	1,845.03
	COMPUTER EQUIPMENT & SOFT	44,643.86
<u>Group: FURNITURE & EQUIPMENT</u>		
2011 FURNITURE & FIXTURES	7/01/11	24,940.77
INTERCONNECT	9/09/11	14,843.59
DRE BLANKET WARMER	8/31/11	3,697.00
AED DEFIBRILLATOR	8/31/11	1,199.00
DUAL TIER CARTS	7/20/11	11,572.36
U/S VAPOR STERILIZATION SYSTEM	9/16/11	1,546.38
MRI TABLE EXTENSION	9/16/11	1,476.00
CABINETS & CASEWORK	7/25/11	74,168.91
CARPET, VCT/RUBBER BASE	7/25/11	68,812.91
LOCKERS	7/25/11	6,164.41
CUBICAL CURTAINS	7/25/11	2,271.10
SINGAGE	7/25/11	6,806.53
RADIO FREQUENCY SHIELDING	7/25/11	93,513.80
PLUMBING, HVAC CONTROLS	7/25/11	299,538.85
ELEC. FIRE ALARM, DATA WIRING	7/25/11	261,537.17
AIR FREIGHT MDP EQUIPMENT	7/25/11	11,241.93
STEAM CANNISTER FOR LIEBERT		
HUMIDIFIER	3/01/12	1,488.47
	FURNITURE & EQUIPMENT	884,819.18
	Grand Total	956,364.73

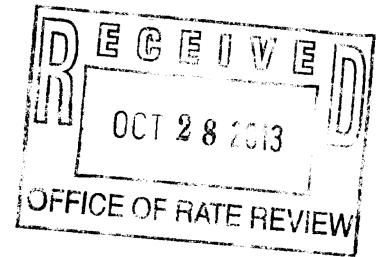
Fairbanks Medical Imaging, Inc d/b/a/North Star Radiology feels non-clinical expenditures should be excluded, however for purposes of the review we recognize the Department interprets 7 AAC 07.010 (e) such that the expenditures should be included in the total project cost. NSR's recognition of the Department's method for interpreting this statute and regulation should not be construed as a waiver of any kind, and in fact, NSR hereby expressly reserves the right to contend that the total applicable expenditures are below the cap with the exclusion of non-clinical expenditures.

(6) How the project will be financed

Combination of letter of credit from Skagit Radiology PS, Inc and an equipment lease.

(7) Estimated completion date.

Occupancy at the Peger Road location was July 2011.



Section III.

Description of Facilities and Capacity Indicators

Section III. Description of Facilities and Capacity Indicators**A. Proposed changes in service capacity. Provide either the number of beds, surgery suites, rooms, pieces of equipment, or other service.**

As required in the application packet and in accordance with 7 AAC 07.040, this certificate of need application is not intended to initiate a change in bed capacity in the Fairbanks service area (i.e. hospital bed, behavioral health, long-term care, long-term acute care, residential psychiatric treatment center). The project is an outpatient office of physicians providing imaging and therapeutic imaging services.

The other sections of the table in the application packet do not apply to this project (In-Pt acute care hospitals, Behavioral Health care, Long-term care, surgical care, Radiation Therapy, Lithotripsy, and Renal Dialysis).

DIAGNOSTIC AND DIAGNOSTIC IMAGING SERVICES			
Type of service	Current Capacity	Added, Expanded or Replacement Capacity	Total Proposed Capacity
CT Scanner	0	1 Added	1
MRI	1	1 Replacement	1
PET or PET/CT	0	0	0
Cardiac Catheterization	0	0	0
Emerging Med. Tech.	0	0	0
Ultrasound	1	0	1
X-ray	1	1 Expanded	2

B. Provide a detailed narrative description of each service identified in "A" above, including the type of change (addition, expansion, conversion, reduction, replacement, elimination). Include, as appropriate, detailed information relative to the scope and level of service.

This application relates to the relocation of an existing practice and includes the addition of a CT scanner which is located in a room of 330 SF and replacement of the current MRI scanner located in a room of 494 SF and an MRI equipment support room of 60 SF.

The proposal increases the square footage of the imaging services in the relocation to the Peger Road location. The size of the previous location at 1320 22nd, Fairbanks Alaska was inadequate and the lease was on a month to month basis. The Peger Road location accommodates a modernization of the practice, increases ease of access with its location on the campus of The Surgery Center of Fairbanks, patient convenience through ease of scheduling and parking as well as being in the medical office building where patients seek imaging services on a same day basis of their other office visits, and offers growth opportunities for the practice and patient choice for those who do not wish to utilize FMH services.

The MRI was a routine replacement of the equipment. The modular MRI previously located in a trailer was replaced as it was cost prohibitive to dismantle the older scanner. The acoustics in the new space enhances patient satisfaction and diminished claustrophobic patient complaints from the trailer scanner. Adequate space in the Peger road location created a control

room that is used for both CT and MRI. The design layout is efficient for the practice. See Section IV for each CON standard discussion.

Imaging Studies: The practice offers MRI – Magnetic Resonance Imaging, CT – Computed Tomography, Ultrasound, X-ray and Interventional Services. The radiologists have specialized fellowship training in different radiology subspecialties as well as specific areas of expertise and have Alaska licenses. The on-site radiologist is able to consult with specialists at any of our facilities to provide timely and relevant reports.

Neuroradiology including head and neck imaging

- Laurence Cambron, MD, PhD - Fellowship in Neuroradiology, University of Washington, CAQ - Neuroradiology
- Kelly Cline MD - Fellowship in Neuroradiology, University of Washington, CAQ - Neuroradiology
- Jesse Kincaid, MD - Fellowship in Neuroradiology, University of Michigan, CAQ - Neuroradiology

Musculoskeletal Radiology

- Jedidiah Malan, MD, MPH - Fellowship in Musculoskeletal Imaging, University of Arizona
- Daniel Pham, MD - Fellowship in Musculoskeletal and Body Imaging, Stanford University
- Jamie Wong, MD - Fellowship in Musculoskeletal Imaging, University of Oregon
- Feiyu Wu, MD, PhD - Fellowship in Musculoskeletal Imaging, University of California, San Diego

Body Imaging including oncologic imaging

- Scott Harrison, MD - Fellowship in Abdominal Imaging, University of Washington
- Daniel Pham, MD - Fellowship in Musculoskeletal and Body Imaging, Stanford University

Breast Imaging including breast MRI

- Karen Dec, MD - Fellowship in Mammography and Ultrasound, University of California, Los Angeles
- John Burke, MD - Special Interest in Mammography and Breast MRI

Nuclear Medicine

- Feiyu Xue, MD, PhD - Fellowship in Nuclear Medicine, Mallinckrodt Institute of Radiology, Washington University

Interventional Radiology

- Lori Ahrens, MD - Fellowship in Cardiovascular and Interventional Radiology, University of Washington
- Muneer Desai, MD - Fellowship in Cardiovascular and Interventional Radiology, University of Washington

- Leah Kiviat, MD - Fellowship in Cardiovascular and Interventional Radiology, University of Washington

Treatment of Patients Therapeutic Services: All physicians are skilled to treat contrast Reactions, which include medication administration.

The Practice also offers treatment services:

Fluoroscopically Guided Procedures C- Arm

-Joint Injections (Steroid or lidocaine for pain control) -Arthrograms -Spinal Taps (especially for psuedotumor cerebri this is a treatment) -Myelograms -Hysterosalpingograms -Fistulagrams -G-tube adjustment/replacement (therapeutic) -Tenograms (When injecting lidocaine is therapeutic) -Catheter evaluation and/or placement -Heimlich valve chest tube placement (therapeutic) - Epidural injections (therapeutic) -Blood Patch (therapeutic for spinal headaches)

Ultrasound Guided Procedures:

-Thoracentesis (therapeutic and diagnostic) -Paracentesis (therapeutic and diagnostic) -Drainage procedures (cysts, abcesses, etc...Therapeutic and diagnostic) -Biopsies (thyroid, breast, solid organs, lymph nodes, muscle, etc) -Wire localizations -Saline Infused hysterosonograms -CCK Gallbladder evaluation -Psuedoaneursym thrombin injection (therapeutic)

CT guided procedures:

-Drainages and biopsies (can be therapeutic) -Steroid injections (therapeutic)

MRI guided procedures:

-Drainages and biopsies (can be therapeutic)

CODE response: (Treatment)

-Dr. Malan is ACLS certified and we do have a fully stocked crash cart to administer drugs such as epinephrine, aspirin, diphenhydramine, atropine, flumazenil, hydrocortisone, phenylephrine spray, albuterol, diltiazem, heparin, dexamethasone, digoxin, and oxygen. There is also a defibrillator.

Diagnostic Studies we perform with no consultation / referral:

(Radiologist acts as a referring doctor and obtains a history and performs a diagnostic study. He/she refers to other physicians when there are abnormalities on these studies) -CT lung Screening -Vascular Screening US

C. Provide in the following table information regarding equipment to be purchased.

Equipment to be Purchased with CON Standards for Review

Equipment Description	Make	Model	Cost
CT Scanner	Siemens	Somatom Emotion 16	\$340,000.00

To complement existing fluoroscopy services the following was expanded:

Quantum Xray room Cost \$61,213.03

Xray CR system Reader Cost \$41,000.00

Figures contained in table are included in total proposed project cost under FF&E

D. Provide in the following table information regarding equipment to be replaced or retired.

Equipment to be Replaced or Retired			
Equipment Description	Make	Model	Date placed into Service and Reason for Replacement
MRI	GE	1.5 Echospeed mobile MRI	4/25/2008 start of lease and Routine replacement

Under 7 AAC 07.031(e) this MRI expenditure is considered to be a routine replacement of the GE 1.5 HDx Echospeed Mobile MRI equipment. Cost to replace the mobile unit was \$1,632,585.00. This cost is not included in total project cost but detail is included in the Appendix.

E. Describe replacement or upgrading of utilities including the electrical, heating, ventilation, and air conditioning systems.

Not applicable as this is a space lease in a new building

F. Describe the structural framing, floor system, and number of floors (including the basement).

Not applicable as this is a space lease in a new building

G. Total square footage in current facility/project.

Not applicable

H. Total square footage of proposed facility/project.

4800 total square feet (1661 SF clinical space and 3139 SF nonclinical office)

I. Area per bed, service unit, or surgery suite (if applicable).

Not applicable

J. Percentage of total floor area used for direct service (non-bed activity).

34.6% percent of the square footage direct clinical. (1661/4800 = 34.6%)

K. Additional volume of service (non-bed activity) expected.

See financial projections and the discussion of CT scan in Section IV. A of this application.

L. Provide a brief history of expansion and construction for the past five years, including new equipment purchases, additional beds, and new services. Describe how this project fits into the facility's long-range plans, including potential projects planned for development within the next five years.

2008 - Fairbanks Community Imaging , owned by radiologist Harold Cable and John McCormick, offer imaging and therapeutic imaging services at 2320 22nd Avenue Fairbanks.

2009 - September, a lease is signed to relocate the practice to the medical office building being constructed at 2310 Peger Road, Fairbanks, Alaska. The planned relocation included the replacement of the mobile MRI and a plan to add CT scanning services.

2010 - Fairbanks Medical Imaging d/b/a North Star Radiology acquired certain assets and liabilities of Fairbanks Community Imaging, LLC, (FCI) an Alaska limited liability company that began its practice in 2007 and seeing patients at 1320 22nd Avenue Fairbanks AK.

2011 - July FMI relocated to the 2310 Peger Road location. The practice is on the campus of The Surgery Center of Fairbanks in the medical office building connected to the Surgery Center Building by a corridor.

The practice does not intend to expand its office space or relocate to another location in the next five years.

Section IV.

Narrative Review Questions

Section IV. Narrative Review Questions

A. RELATIONSHIP TO APPLICABLE PLANS AND NATIONAL TRENDS

Indicate how the application relates to any relevant plans, including the applicant's long-range plans, appropriate local, regional, or state government plans the current Alaska Certificate of Need Review Standards and Methodologies, adopted by reference in 7 AAC 07.025, and current planning guidelines of recognized national medical and health care groups. If the proposal is at variance with any of these documents, explain why. (See the department's website for state planning processes and materials and links to federal websites.)

There is no current local, regional or state health plan. The most recent State Health Plan is from 1984. Included in the 1984 Plan was the goal,

“Provide adequate range of primary, prevention and acute care in communities.”

Healthy Alaskans 2020's 25 Leading Health Indicators is a list of critical health priorities for Alaska provides a science-based framework for identifying public health priorities and are designed to guide efforts in Alaska over the next decade to improve health and ensure health equity for all Alaskans. Healthy Alaskans 2020 is a joint project of the State of Alaska Department of Health and Social Services and the Alaska Native Tribal Health Consortium. One of the Objectives is:

“Reduce the proportion of Alaskans without access to high quality and affordable healthcare.” The three indicators under this Objective include access to prenatal care, preventable hospitalizations and adults reporting that they could not afford to see a doctor in the last 12 months.

We reference these as an indication this project provides primary and prevention care, and also increases access in a cost effective setting. The project supports the stated goal and objective in the documents. A search of the FMH website and the Fairbanks North Star borough website did not have local health plans referenced.

The Alaska Certificate of Need Review Standards and Methodologies have been adopted by reference in regulations of the Alaska Department of Health and Social Services, December 9, 2005. The following Service specific Review Standards and Methodology are applicable to this project.

VII. Diagnostic Imaging Services: Review Standards and Methodology

The department will develop and maintain data sources for measuring utilization rates and will identify regional and national norms to use in assessing the reasonableness of applicant assertions about projected levels of service.

A. Magnetic Resonance Imaging Review Standards

- 1. Except as provided in Review Standard 2, an applicant who seeks to establish an MRI service demonstrates the ability to provide a minimum of 3,000 MRI scans per year by the end of the third operational year, dating from the initiation of the service.**

This standard is not applicable and we request it be excepted as this MRI service does not seek to **establish** an MRI service. The service was established and was operational since 2007. This is a routine replacement piece of equipment under 7 AAC 07.031 (e).

2. ***An applicant who seeks to establish an MRI service in a community with a population of 10,000 or less demonstrates the ability to provide a minimum of 1,000 MRI scans per year by the end of the third year, dating from the initiation of the service. (Based on the estimate of a minimum of 2,500 scans/70,000 people, it is estimated that the minimum service area population for an MRI service to provide a minimum of 1,000 MRI scans per year would be 28,000 people.)***

Not applicable and we request it be excepted as the service area has a population greater than 10,000.

3. ***No MRI service will be approved at a location that is less than 30 minutes access time of an existing MRI service performing fewer than 3,000 scans per year, or of a CON-approved, but not yet operational, MRI service.***

Not applicable and we request it be excepted as this is an existing MRI service that has been operational since 2008 and this is a routine replacement piece of equipment under 7 AAC 07.031(e).

C. Computed Tomography Review Standards

1. ***An applicant who seeks to establish a new CT service in an urban area (population of 70,000 or more) demonstrates the ability to provide a minimum of 3,000 CT scans per year by the end of the third operational year, dating from the initiation of the service.***

We request a waiver of this standard (1) under 7 AAC 07.025 (b) because meeting the standard would cause a reduction in the availability, quality, or accessibility. Reasons include:

1. Standard #3 in the CT Review Standards has been met justifying the addition of the CT scanner. 3.68 scanners are allowable. With 3 in service the proposed unit is justified. The Department has always rounded up to the whole number.
2. Taking this unit out of operation will reduce availability and accessibility to the patients of the Interior Region.
3. FMI provides back up to Bassett Army base when their CT Scanner is down for repairs.
4. 14% of FMI volume is from Tricare and Veterans Administration patients.
5. There is no State adopted methodology to project future volumes.
 - a. The introduction on page 23 of the "*Alaska Certificate of Need Review Standards and Methodologies, December 9, 2005*" to the VII. Diagnostic Imaging Services: Review Standards and Methodology reads, "The department will develop and maintain data sources for measuring utilization rates and will identify regional

and national norms to use in assessing the reasonableness of applicant assertions about projected levels of service.” (emphasis added)

- b. The document then goes on to cite the Review Standards.
- c. The introductory statement in 5.a. above is not listed as a Review Standard.
- d. No regional or national norms have been identified by the Department to be used. This provides the opportunity for the applicant to use regional and national norms (trends) to assert how we should be able to achieve 3000 scans. These are identified in the application (Section VI. B.2.).
- e. It should also be accepted that not recognizing the regional or national norms and holding to only a strict population projection calculation (again, this is not an adopted methodology) will cause a reduction in the availability and accessibility and eliminate the quality services provided at FMI. The following chart shows the expected number of CT scans using a strict population increase percentage.

	Average Annual CT Scan 2010- 2012	Expected number for 2015	minimum Scans Level expected per machine	# machines allowable	# machines existing or approved	# additional machines approvable
Interior Region 2015 estimated CT scans (+7% for population growth over 2010-12 avg)	10,313	11,035	3,000	3.68	3	0.68

In the event the waiver is denied , the numerous reasons below discuss how it is reasonable that FMI may be able to achieve the 3000 scans annual standard.

The chart below shows anticipated volume: above the formula augmenting the population projection method (above), taking into account regional and national trends.

Volume anticipated 2015 with the following	2035
Incremental annual volume expected	986
Neurosurgeon new to community 2013	264
Neurosurgeon who will move to community 2014	264
Aging of the population	308
Current uninsured obtaining insurance and services	50
National trends for increases to imaging	100
Total expected 2015	3021

The rationale and reasonableness for our projected volume projection:

- 1) There is no State adopted methodology for projection of volume.
- 2) Using the strict population percentage increase it is reasonable that FMI would be at 2,035 scans in year 2015. (11,035 scans less 9,000 from the existing 3 scanners = 2,035 scans).

3) Using regional and national norms to augment that volume should result in another 986 annual scans. $2,035 + 986 = 3021$. The volume sources:

- a. Scans previously performed out of the service area. A neurosurgeon, Paul Jensen, MD opened a full time practice in Fairbanks in 2013. In 2011 -2012 he only saw patients in Fairbanks one to two days per week. The historical 2010 – 2012 data is understated for neurosurgeon ordering patterns. His volume increased in 2013, therefore his use of CT scans increased at FMH Banner facilities and FMI. Those additional cases should be included in projections. Additional volume estimated at 264 annual scans (21 per month).
- b. Another neurosurgeon has been recruited to this practice, scheduled to arrive in mid 2014. Additional volume estimated at another 21 scans per month or 264 annual scans by year 2015
- c. Aging of the population could account for another 308 scans by applying the current use rate of .0916744 times the 3361 increase in the 65 + population group. The segment of the Interior Region population aged 65+ is detailed on the State of Alaska Department of Labor website.⁵ A copy of the detail is included in the Appendix.

65+ population 2010	65+ population 2015	65+ population increase 2010 to 2015	Average Annual CT Scan 2010- 2012 10,313 Population 112,496 use rate (scans / population) 0.0916744
7775	11,136	3361	

- d. Current uninsured obtaining health insurance through the Health Exchange developed as a result of the Affordable Care Act. This insurance will be implemented January 1, 2014. Enrollment is underway. 21% of Alaskans are without insurance.⁶ Using the AK DOL population figures referenced in this application, with detail in the Appendix,
Interior Regional 2015 population projection excluding seniors 65+ is 109,511.
Projected population 120,647 less 11,136 aged 65+ = 109,511
21% of 109,511 = 22,997 Interior Alaskans without insurance.
We anticipate a conservatively that 50 of those 22,997 who obtain insurance will obtain CT scans at our facility.

⁵ <http://labor.alaska.gov/research/pop/popproj.htm>

⁶ <http://www.hhs.gov/healthcare/facts/bystate/ak.html>

- e. National Trends for imaging service increases far above the 7% population projection. The detail is provided in Section IV B.2. of this application. We anticipate 100 exams conservatively.
- 4) The January 2013 issue of *Alaska Economic Trends* provides information to support proposed increases in health care services, which by reference would increase CT scanning volumes.
- a. The article forecasts increases to the Fairbanks economy with employment on track to for another years, this time by 1.3 percent.⁷
 - b. Construction had a growth of 4.0 percent in 2012 and in the coming year the Army Corps of Engineers projects in the Fairbanks area will likely boost construction employment. Federal construction spending in the Fairbanks area is projected to increase by 47 percent in FY 2014.⁸ The construction jobs will be in the private sector, likely with businesses offering health insurance.
 - c. The article states the health care industry in Fairbanks has grown steadily in recent years.⁹ This indicates that patients seeking services will likely increase in all areas.
 - d. The Aging of the 65-plus population is expected to grow by 43 percent between 2010 and 2015.¹⁰ This population sector seeks health care services at a rate higher than younger population groups.
- 5) The federal government also announced plans to keep the 18th Aggressor Squadron at Eielson Air Force Base, keeping the Eielson's current employment of 3,100 intact.
- 6) The implementation of the federal Affordable Care Act which began offering health care insurance to the current uninsured will increase accessibility to health care services including imaging services such as CT. 21% of Alaskans do not have health insurance.¹¹

It is more than reasonable to assume that the CT growth projected by Fairbanks Medical Imaging can be realized with the above noted findings. We still request a waiver of the standard as indicated above.

- 2. *An applicant who seeks to establish a new CT service in a rural area demonstrates the ability to provide a minimum of 1,000 CT scans per year by the end of the third operational year, dating from the initiation of the service.***

Not applicable as this is not a rural area.

- 3. *No new CT service will be approved in a service area or at a location that is less than 30 minutes travel time of an existing CT service performing fewer than 3,000 scans per year, or of a CON-approved but not yet operational, CT service.***

⁷ Alaska Economic Trends, Alaska State Department of Labor, January 2013 page 11

⁸ Ibid page 11

⁹ Ibid page 12

¹⁰ Ibid, page 12

¹¹ <http://www.hhs.gov/healthcare/facts/bystate/ak.html>

Data obtained from the Certificate of Need office showed the following number of persons from the target population who are currently using the CT Scanners in the service area. We have also included the total scans in year 2012 from Fairbanks Medical Imaging d/b/a North Star Radiology. The scanner is not counted in the existing supply for which approval is being sought although the scans should be counted since they would presumably have been conducted at another facility if the service had not been available. This is consistent with the practice followed by The Department in its review of a CON application for imaging services in 2008.¹²

	Fairbanks Memorial Hospital		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
FIC	2585	2749	2545
FMH	6320	7066	6391
TVC	919	948	1037
FMI			380
total	9824	10763	10313

We have utilized the same formula used by the Department in a prior imaging application¹³

	Average Annual CT Scan 2010- 2012	Expected number for 2011	minimum Scans Level expected per machine	# machines allowable	# machines existing or approved	# additional machines approvable
Interior Region 2015 estimated CT scans (+7% for population growth over 2010-12 avg)	10,313	11,035	3,000	3.68	3	0.68

3.68 scanners are allowable. There are 3 existing or a need for an additional machine, thus the need for the proposed **FMI unit is justified**. The Department has always rounded up need calculations to a whole number. This standard is met.

The CT located in the FMH operated Tanana Valley Clinic is used by physicians employed by the clinic. The hospital's main CT primarily must serve emergency room patients and inpatients.

¹² "Review of a Certificate of need Application to Develop Imaging Facilities in the Mat-Su Valley and Anchorage Submitted by Imaging Associates of Providence", June 26, 2008, State of Alaska DHSS, Certificate of Need Program, page 9, footnote 15.

¹³ Ibid, page 9 methodology

4. ***An applicant who seeks to expand an existing CT service must demonstrate an average service volume of at least 4,000 CT scans annually for each existing CT scanner at the service site.***

Not applicable as FMI is not an applicant seeking to expand an existing CT service as this seeks to establish a new CT service.

B. DEMONSTRATION OF NEED

1. Identify the problems being addressed by the project. For example, identify whether this project is for (a) a new service; (b) an expanded service; or (c) an upgrade of an existing service.

The project is for a relocation of an existing radiology practice offering imaging and therapeutic treatment services such as thoracentesis (the removal of fluid from the lungs alleviating shortness of breath), paracentesis (the removal of abdominal fluid relieving pressure and pain), lumbar punctures (removal of fluid relieving pressure) and even dual purpose, diagnostic/therapeutic treatment (such as aspirating a cyst-like mass in the breast making the mass and the pain go away). Other treatments provided by Fairbanks Medical Imaging, LLC d/b/a North Star Radiology include hysterosalpingograms, steroid/anesthetic joint injections, tenograms, and post traumatic pseudoaneurysm treatment with compression and/or thrombin injection.

The practice relocated to 2310 Peger Road, including the routine replacement of the MRI mobile unit to a fixed unit, the modernization of the office space, and addition of CT scanning services and provision of x-ray.

2. Describe whether (and how) this project (a) addresses an unmet community need; (b) satisfies an increasing demand for services; (c) follows a national trend in providing this type of service; or (d) meets a higher quality or efficiency standard.

The project addresses each of the four items in this question.

Unmet community need. The addition of CT services addresses and meets the CON standard for the CT scanner to satisfy increasing demand an unmet community need.

Increasing demand for all imaging services. There is population growth and an increasing demand with the percentage of seniors. The Alaska Department of Labor population projections show the 65+ population in 2010 at 7775. This population group is projected to be at 11136 in year 2015, and to 15454 in year 2020. Senior citizens use health care at a higher rate primarily because 45% have two or more chronic conditions.¹⁴

Follows a national trend in providing this type of service. The project also follows a national trend in increasing imaging services. *More than 90% of Decade's Imaging Growth*

¹⁴ "Multiple Chronic Conditions Among Adults Aged 45 and Over," Centers for Disease Control.

will Occur in Outpatient Sector.¹⁵ Sg2 has identified five growth areas for outpatient imaging over the next 10 years (2007 to 2017):

- Cancer-related imaging. Cancer-related outpatient advanced imaging will experience a 171% growth in the next 10 years, excluding non-cancer mammography, according to Sg2 projections. A 48% increase in cancer-related visits will boost volume in all sectors of the cancer care continuum, including chemotherapy (38%), radiation therapy (31%), and surgery (24%). An overwhelming 98% of this care will be delivered in the outpatient sector, according to Sg2 projections.
- Neurological imaging. Sg2 projects a total 19% increase in outpatient neurosciences growth, with a 26% growth in advanced imaging and an aggressive 116% increase in stereotactic surgery procedures.
- Spine imaging. The total outpatient spine procedures market will grow 37% according to Sg2 predictions. Currently imaging accounts for 74% of all outpatient spine-related procedures; injections account for 20%, spinal procedures account for 5%, vertebroplasty/kyphoplasty contribute 0.5%, and exploration/decompression account for 0.4%. In the next ten years, Sg2 projects a 44% increase in advanced spine imaging; a 93% increase in vertebroplasty/kyphoplasty; a 106% increase in exploration/decompression; an 18% increase in injections; and a 15% increase in spinal procedures.

Sg2's prediction for a 44% growth in spine imaging is lower than it has been in the past because government payors are taking a hard look at spine procedures. "If you think imaging is in the crosshairs, spine imaging is even more so because there is much less evidence for a lot of the spine procedures that are being done in the country," Silver explained. "There is huge variation in the rate of different spine procedures done in the U.S. depending on where you are in the country. For discectomy there is an eight-fold variation across the country and for spinal fusion there is a 20-fold variance across the country. In general, because of all the attention being focused on spine surgery, the imaging associated with that is probably going to be coming down."

- MSK imaging. Sg2 predicts a 46% increase in musculoskeletal imaging. "The good news about that for imagers is that the majority is what we might call sports medicine-related, and that is not paid under Medicare," Silver said.
- Cardiovascular imaging. Sg2 predicts a 207% increase in cardiovascular imaging over 10 years. The rate at which coronary CTA is reimbursed will likely determine whether cardiologists or radiologists ultimately claim the market, but radiologists are well-positioned to benefit from the surge in peripheral artery imaging, Silver said. "On the cardiovascular side, and this is the big growth opportunity, as more and more patients survive cancer, as cancer becomes more of a chronic disease, patients go on to develop heart disease as other disease treatments become better," he explained. "So we project about a 210% increase in cardiovascular-related imaging, and the big growth area for cardiovascular is in peripheral vascular disease. A lot of services are being developed in the marketplace for treatment of peripheral vascular disease over the next 10 years.

¹⁵ Staff writer, "More than 90% of Decade's Imaging Growth will occur in Outpatient Sector" Imaging Biz, September 15, 2007.

Imaging growth increases do not follow increases in population growth. Specialty physician practices in the Peger Road medical office building include neurologic (neurosurgeons); musculoskeletal, and spine. FMI d/b/a should realize higher increases in volume consistent with the national trends identified above. The practice sees patients in the other two specialties referenced in the article, as well.

3. Describe any internal deficiencies of the facility that will be corrected, and document which of these deficiencies have been noted by regulatory authorities. Note any deficiencies that will not be corrected by this project, what efforts have been taken to correct the deficiencies, and how this project will affect the deficiencies. Attach any pertinent inspection records and other relevant reports as an appendix to the application.

The project is in a new building that has no deficiencies. It was built to current code and construction standards.

4. Identify the target population to be served by this project. The "target population" is the population that is or may reasonably be expected to be served by a specific service at a particular site. Explain whether this is a local program, or a program that serves a population outside of the proposed service area. Use the most recent Alaska Department of Labor and Workforce Development statistics for population data and projections. Explain and document any variances from those projections. The population may be defined in one or more ways:

a. Document the service area by means of a patient origin analysis.

b. Justify the customary geographical area served by the facility using trade and travel pattern information. Indicate the number and location of individuals using services who live out of the primary service area.

c. Use Alaska Department of Labor and Workforce Development information, including current census data on cities, municipalities, census areas, or census sub-areas, to describe trends, age/sex breakdowns, and other characteristics pertinent to the determination of need.

d. The population to be served can be defined according to the unique needs of patients requiring

We are documenting the 'target population' using item 4 (c) above. The target population is the Interior Region of Alaska by Using Alaska Department of Labor and Workforce information. The primary service area is the Fairbanks North Star Borough and secondary service areas the remainder of the Interior Region.

Population of Alaska by Economic Region, Borough and Census Area, 2010-2012* and Projected 2015 and 2020

Population of Alaska by Economic Region, Borough and Census Area, 2010-2012*

	Census April 2010	Estimate July 2011	Estimate July 2012	Projection July 2015	July 2020
Interior Region	112,024	112,425	115,114	120,647	128,169
Denali Borough	1,826	1,838	1,871		
Fairbanks North Star Borough	97,581	97,807	100,343		
Southeast Fairbanks Census Area	7,029	7,118	7,218		
Yukon Koyukuk Census Area	5,588	5,662	5,682		

* Vintage 2012. All numbers are based on 2010 Census geography.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Census Bureau

Population projections are from the Alaska Department of Labor and Workforce website. The AK DOL does not provide population projections breakdowns for each area of the Interior Region. At the time of the relocation of the practice to Peger Road in July 2011, the population of the Interior Region was estimated at 112,425.¹⁶ The projected increase to July 2015 is a growth of 8,222 or 7% . Using figures at the of the project relocation in July 2011 to Department of Labor figures are included in the Appendix.

5. Describe the projected utilization of the proposed services and the method by which this projection was derived. Do not annualize utilization data. It must include the last complete year of operation (indicate if it is a calendar year or fiscal year) and as many prior years as is feasible to show trends. If graphs are used to depict this information, and they do not include the actual utilization numbers, numerical charts must be included. In providing this information:

a. Include evidence of the number of persons from the target population who are currently using these services and who are expected to continue to use the service, including individuals served out of the service area or out of state;

CT Scan Volume: Data obtained from the Certificate of Need office showed the following number of persons from the target population who are currently using the CT Scanner in the service area. We have also included the total scans in year 2012 from Fairbanks Medical Imaging d/b/a North Star Radiology. The scanner is not counted in the existing supply for which approval is being sought although the scans should be counted since they would presumably have been conducted at another facility if the service had not been available.

	Fairbanks Memorial Hospital		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
FIC	2585	2749	2545
FMH	6320	7066	6391
TVC	919	948	1037
FMI			380
total	9824	10763	10313

2015 projected community volume for CT services, 11,035 to 12,021, see SectionIV.A. page 21.

MRI Scan Volume: Data obtained from the Certificate of Need office showed the following number of persons from the target population who are currently using the MRI Scanner in the service area.

¹⁶ Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Census Bureau

	Fairbanks Memorial Hospital		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
FIC	2505	2036	1830
FMH	2219	2940	3508
TVC	1376	1350	1231
Wash Plaza			483
total	6100	6326	7052

There is not a State adopted methodology to project volume for this service therefore we have not attempted to project a community projection. Volume increases at FMI are reflected in the financial projections.

b. Include evidence of the number of persons who will begin to use any new services that are not now available, accessible, or acceptable to the target population.

Additional volume for CT Scans from persons not currently using the service:

1. Scans previously performed out of the service area. Fairbanks received a full time neurosurgeon, Paul Jensen, M.D. to the community in 2013. None of his CT volume is included in the historical 2010 – 2012 data. Those additional cases should be included in projections. Additional volume estimated at 264 annual scans (21 per month).
2. Dr. Jensen has recruited another neurosurgeon to his practice, scheduled to arrive in mid 2014. Additional volume estimated at another 21 scans per month or 264 annual.
3. Aging of the population could account for another 308 scans by applying the current use rate of .0916744 times the 3361 increase in the 65 + population group.

65+ population 2010	65+ population 2015	65+ population increase 2010 to 2015	Average Annual CT Scan 2010- 2012
7775	11,136	3361	10,313 Population 112,496
			use rate (scans / population) 0.0916744

4. Current uninsured obtaining health insurance through the Health Exchange developed as a result of the Affordable Care Act. This insurance will be implemented January 1, 2014. Enrollment is underway. 21% of Alaskans are without insurance.

5. Follows a national trend in providing this type of service. The project also follows a national trend in increasing imaging services. *More than 90% of Decade's Imaging Growth will Occur in Outpatient Sector.*¹⁷ Sg2 has identified five growth areas for outpatient imaging over the next 10 years (2007 to 2017):

- Cancer-related imaging. Cancer-related outpatient advanced imaging will experience a 171% growth in the next 10 years, excluding non-cancer mammography, according to Sg2 projections. A 48% increase in cancer-related visits will boost volume in all sectors of the cancer care continuum, including chemotherapy (38%), radiation therapy (31%), and surgery (24%). An overwhelming 98% of this care will be delivered in the outpatient sector, according to Sg2 projections.
- Neurological imaging. Sg2 projects a total 19% increase in outpatient neurosciences growth, with a 26% growth in advanced imaging and an aggressive 116% increase in stereotactic surgery procedures.
- Spine imaging. The total outpatient spine procedures market will grow 37% according to Sg2 predictions. Currently imaging accounts for 74% of all outpatient spine-related procedures; injections account for 20%, spinal procedures account for 5%, vertebroplasty/kyphoplasty contribute 0.5%, and exploration/decompression account for 0.4%. In the next ten years, Sg2 projects a 44% increase in advanced spine imaging; a 93% increase in vertebroplasty/kyphoplasty; a 106% increase in exploration/decompression; an 18% increase in injections; and a 15% increase in spinal procedures.

Sg2's prediction for a 44% growth in spine imaging is lower than it has been in the past because government payors are taking a hard look at spine procedures. "If you think imaging is in the crosshairs, spine imaging is even more so because there is much less evidence for a lot of the spine procedures that are being done in the country," Silver explained. "There is huge variation in the rate of different spine procedures done in the U.S. depending on where you are in the country. For discectomy there is an eight-fold variation across the country and for spinal fusion there is a 20-fold variance across the country. In general, because of all the attention being focused on spine surgery, the imaging associated with that is probably going to be coming down."

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- Cardiovascular imaging. Sg2 predicts a 207% increase in cardiovascular imaging over 10 years. The rate at which coronary CTA is reimbursed will likely determine whether cardiologists or radiologists ultimately claim the market, but radiologists are well-positioned to benefit from the surge in peripheral artery imaging, Silver said. "On the cardiovascular side, and this is the big growth opportunity, as more and more patients survive cancer, as cancer becomes more of a chronic disease, patients go on to develop heart disease as other disease treatments become better," he explained. "So we project about a 210% increase in cardiovascular-related imaging, and the big growth area for

¹⁷ Staff writer, "More than 90% of Decade's Imaging Growth will occur in Outpatient Sector" Imaging Biz, September 15, 2007.

cardiovascular is in peripheral vascular disease. A lot of services are being developed in the marketplace for treatment of peripheral vascular disease over the next 10 years.

c. Provide annual utilization data and demand trends for the five most recent years and monthly utilization data for the most recent incomplete year prior to the application for each existing facility offering a similar service in the service area. Provide projections for utilization for three years (or the appropriate planning horizon set out in the review standards related to this project) after construction, and show methodology used to determine use, including the math.

The only Data provided from the Department is included in 5.a. above. Monthly data for this year was not provided by the Department for FMH services. Projections are not included because there is not a State of Alaska adopted methodology to forecast volumes.

d. If the project is an acquisition of a new piece of major equipment or a new service, provide utilization data for similar services, existing equipment, or older technology. Indicate whether similar existing equipment will continue to be used and the project's effect on utilization of similar services. If this service or equipment was not in place in the service area, compare the expected utilization with other similar communities in Alaska or in other states.

We refer the Department back to 5 a. of this section because the new CT scanner has been addressed in that question and should be repeated in 5.d. by reference.

e. If an increase in utilization is projected, list the factors that will affect the increase. Provide annual utilization projections for three to five years in the future, as applicable, for each specific service in the proposal (in general, equipment projections are for three years, and new beds and facility construction are for five years). Include each of the following data when applicable:

- (1) number of admissions/discharges**
- (2) number of patient days**
- (3) average length of stay**
- (4) percent occupancy**
- (5) average daily census**
- (6) number of licensed beds**
- (7) number of beds set up**
- (8) number of inpatient and outpatient surgeries and surgery minutes**
- (9) number of existing surgery suites in the service area**

Items number (1) through (9) above are not applicable to this application as this is not a licensed facility offering inpatient services and does not offer surgery services.

(10) number of procedures

There is not a State adopted methodology to project imaging volumes. Financial projections reflect modest growth included later in the application.

(11) number of treatment rooms

The project has MRI , CT scan, C-arm, X-ray and Ultrasound rooms for direct clinical care.

(12) number of patients served

See 5 a (above)

(13) number of outpatient visits

FMI volume: 2555 in 2011; 5569 in 2012. There is not a State adopted methodology to project imaging volumes. Financial projections reflect modest growth included later in the application.

(14) number of laboratory tests

Not applicable, there are no laboratory tests in this project.

(15) number of x-rays

General fluoroscopy volume 459 in 2011; 1597 in 2012. There is not a State adopted methodology to project xray volumes. Financial projections reflect modest growth included later in the application.

(16) number of ER visits

Not applicable as this is not a licensed hospital.

(17) number of CT, MRI, PET or PET/CT scanners

The project increased the CT scan capability in the service with the addition of the 4th scanner.

f. If any services will be reduced, indicate how the proposed reduction will affect the service area needs and patient access.

No reduction in services proposed. Patient access is improved with patient choice, and location of the practice. The FMH services are above the thresholds for CT services. Service area needs will increase with the aging of the population and as more patients obtain health insurance through the health exchange. Additional specialty physicians to the area and the aging of the population will increase health care needs, including imaging. However the Standards justify the new CT scanner and the MRI is a replacement piece of equipment. There is no review standard for a simple x-ray unit or for the square footage and construction of office space.

g. Provide any other information that may be pertinent to establishing the need for this project.

The introduction in Section II 1. of this application is incorporated herein to the same effect as if fully set forth. It is also worth noting that by precluding NSR from operating its office in the Fairbanks area, the State will be promoting anti-competitive and monopolistic activities. The law specifically requires the State to give due consideration to the possible anticompetitive effects its actions may carry. AS 45.50.564 and AS 45.50.572(g). In this situation, precluding competition and allowing one entity to engage in the vast majority of radiological services in a given area may be anti-competitive and monopolistic. This potential outcome would be adverse to the principles of fair competition.

h. Attach letters of support from local and regional agencies, other health care facilities, individuals, governmental bodies, etc.

(13) number of outpatient visits

FMI volume: 2555 in 2011; 5569 in 2012. There is not a State adopted methodology to project imaging volumes. Financial projections reflect modest growth included later in the application.

(14) number of laboratory tests

Not applicable, there are no laboratory tests in this project.

(15) number of x-rays

General fluoroscopy volume 459 in 2011; 1597 in 2012. There is not a State adopted methodology to project xray volumes. Financial projections reflect modest growth included later in the application.

(16) number of ER visits

Not applicable as this is not a licensed hospital.

(17) number of CT, MRI, PET or PET/CT scanners

The project increased the CT scan capability in the service with the addition of the 4th scanner.

f. If any services will be reduced, indicate how the proposed reduction will affect the service area needs and patient access.

No reduction in services proposed. Patient access is improved with patient choice, and location of the practice. The FMH services are above the thresholds for CT services. Service area needs will increase with the aging of the population and as more patients obtain health insurance through the health exchange. Additional specialty physicians to the area and the aging of the population will increase health care needs, including imaging. However the Standards justify the new CT scanner and the MRI is a replacement piece of equipment. There is no review standard for a simple x-ray unit or for the square footage and construction of office space.

g. Provide any other information that may be pertinent to establishing the need for this project.

The introduction in Section II 1. of this application is incorporated herein to the same effect as if fully set forth. It is also worth noting that by precluding NSR from operating its office in the Fairbanks area, the State will be promoting anti-competitive and monopolistic activities. The law specifically requires the State to give due consideration to the possible anticompetitive effects its actions may carry. AS 45.50.564 and AS 45.50.572(g). In this situation, precluding competition and allowing one entity to engage in the vast majority of radiological services in a given area may be anti-competitive and monopolistic. This potential outcome would be adverse to the principles of fair competition.

h. Attach letters of support from local and regional agencies, other health care facilities, individuals, governmental bodies, etc.

At the October 16, 2013 Board meeting, the Surgery Center of Fairbanks passed a resolution to support this CON application. A copy will be submitted to be included with this application during the public comment period. Letters of support from physicians and patients will also be provided during this period and at the public hearing.

6. Include your calculations of numerical need for each proposed activity for your service area. If the proposed project is expected to have a larger capacity than that projected by (and available from) the department, explain the rationale and provide documentation to support the larger capacity.

The Review standards for CT scanning services do not have an adopted methodology for the numerical projected volume for the activities. There are only Standards. This project meets the applicable standards for CT service. The MRI is a replacement service, thus the standards are not applicable for MRI. A complete discussion of the standards is in Section IV A. There are no standards for the medical office space.

C. AVAILABILITY OF LESS COSTLY OR MORE EFFECTIVE ALTERNATIVES

1. Describe the different alternatives considered in developing this project. Explain why the particular alternative for providing the services proposed by this application was selected. Include as an alternative a discussion of the effect of doing nothing.

Alternatives considered:

1. Do nothing: It was not possible to remain at the previous location in Fairbanks, AK as the lease had ended and was only month to month until the Peger Road location was finished. This is also not an acceptable alternative as the healthcare environment under healthcare reform will require communities to be responsive to the need for lower cost alternatives.

It is also worth noting that by precluding NSR from operating its office in the Fairbanks area, the State will be promoting anti-competitive and monopolistic activities. The law specifically requires the State to give due consideration to the possible anticompetitive effects its actions may carry. AS 45.50.564 and AS 45.50.572(g). In this situation, precluding competition and allowing one entity to engage in the vast majority of radiological services in a given area may be anti-competitive and monopolistic. This potential outcome would be adverse to the principles of fair competition.

For these reasons the idea of doing nothing is REJECTED.

2. Describe any special needs and circumstances. Special needs may include special training, research, Health Maintenance Organizations (HMOs), managed care, access issues, or other needs.

Managed care is taking on increased interest in Alaska. Healthcare reform, insurance reform and consumer awareness of healthcare costs is heightened. Providing a lower cost alternative for imaging services and providing an alternative to a monopolistic provider benefits the patients in the form of lower costs and patient choice.

D. THE RELATIONSHIP OF THE PROPOSED PROJECT TO EXISTING HEALTH CARE SYSTEM AND TO ANCILLARY OR SUPPORT SERVICES

1. Identify any existing comparable services within the service area and describe any significant differences in population served or service delivery. If there are no existing comparable services in the area, describe the unmet need and how the target population currently accesses the services. Describe significant factors affecting utilization, including cost, accessibility, and acceptability.

Comparable services, utilization and national trends affecting utilization within the service area is fully addressed in Section IV A and B. Health care costs to individuals and families are reduced with the project. Patient satisfaction is increased with convenient scheduling, accessibility at a location other than Fairbanks Memorial Hospital. There appears to may be another provider of ultrasound imaging services, although no statistics are provided from the Department.

2. Describe the probable effect on other community resources, including any anticipated impact on existing facilities offering the same/similar services or alternatives locally or statewide if applicable. Describe how each proposed new or expanded service will:

- a. complement existing services**
- b. provide an alternative or unique service**
- c. provide a service for a specific target population**
- d. provide needed competition**

FMI d/b/a North Star Radiology office practice has been providing imaging services, together with its predecessor, FCI, since 2008 in Fairbanks, Alaska. In 2012 over 5,569 patient modalities were provided. The service does complement existing services. FMI provides back up to Basset Army base imaging services. The practice sees a significant number of Tricare members and Veteran's Affairs Patients (14% of the practice volume).

It also provides an alternative to the FMH Banner health care system, offering patients a choice. It also provides needed competition to the sole provider FMH Banner Health, although FMH Banner Health is thriving. The services at the hospital must also serve inpatients and emergencies that have priority. The dedicated outpatient imaging practice reduce patient waiting time, and are not 'bumped' by emergencies and inpatients.

FMI has specialty trained radiologists available in each radiology specialty who are available for consultation on cases.

We do not believe we have impacted the separate ultrasound imaging business. From what we have heard, the practice enjoys strong volumes. No data is available for that practice. We believe FMI provides needed competition for patient choice.

3. Identify existing working relationships the applicant has with hospitals, nursing homes, and other resources serving the target population in the service area. Include a discussion of cooperative planning activities, shared services (i.e. agreements assigning services such as emergency or obstetrics), and patient transfer agreements. If other organizations provide ancillary or support services to your facility, describe the relationship. Attach copies of relevant agreements in an appendix in the application. If a service requires support from another agency but does not have an agreement, explain why.

Transfer agreements are not a requirement for an outpatient office practice. FMI does provide consultative services to The Surgery Center of Fairbanks. The services include review of radiation safety practices. The proximity to the surgery centers allows for immediate follow up with patients, should the need arrive.

E. FINANCIAL FEASIBILITY

1. Demonstrate how the project will ensure financial feasibility, including long-term viability, and what the financial effect will be on consumers and the state, region, or community served.

Financial feasibility and long term viability of the project is documented in the Financial section of this application. FMI has revenues over expenses. This is shown to be consistent in the projections. Patients also benefit from the lower costs (charges).

2. Discuss how the project construction and operation is expected to be financed. Demonstrate access to sufficient financial resources and the financial stability to build and operate this project.

Combination of a line of credit from Skagit Radiology, PS, Inc. and an equipment lease. Skagit Radiology, PS, Inc is the sole member of Fairbanks Medical Imaging d/b/a/ North Star Radiology.

3. Provide a description and estimate of :a. the probable impact of the proposal on the annual increase on the overall costs of the health services to the target population to be served;

Health care costs should be lowered. Charges for services are at usual and customary for the service area. Medicaid is less than 3% of the practice, so the increase to the Medicaid program for the State of Alaska is already built into the State's costs and is minimal to the total State Medicaid budget. With increasing uninsured Alaskans gaining access to insurance as a result of the Affordable Care Act, cost shifting that occurs from uncompensated care should decrease. This is true system wide, not just at FMI.

b. If applying to build a residential psychiatric treatment centers, nursing homes, or additional nursing home beds the annual increase to Medicaid required to support the new project, and the projected cost of and charges for providing the health care services in the first year of operation (per diem rate, scan, surgery etc);

Not applicable as this is a physician practice offering diagnostic and therapeutic imaging services in an office practice setting.

c. the immediate and long-term financial feasibility of continuing operations of the proposal.

The project has a positive projected cash flow as shown in the financials asked for in the application. The long term financial feasibility of continuing operations will be assured with the approval of this application. Projections included in the financial section demonstrate this.

F. ACCESS TO SERVICE BY THE GENERAL POPULATION AND UNDER-SERVED GROUPS

1. Provide information on service needs and access of under-served groups of people such as low-income persons, racial and ethnic minorities, women, and persons with a disability. Discuss any plans to overcome language and cultural barriers of groups to be served.

The practice does not discriminate based upon race, ethnicity, disability or the inability to pay. The office space and the building is ADA accessible. As part of the patient rights policy language interpreters are made available.

2. Indicate the annual amount of charity care provided in each of the last five years with projections for the next three years. Include columns for revenue deductions, contractual allowances, and charity care.

Projections for the next three years relating to revenue deductions, contractual allowances and uncompensated care are provided in a chart in the financial section of this application.

3. Address the following access issues:

a. transportation and travel time to the facility;

The medical office building is located at the corner of Peger and Davis in Fairbanks, Alaska on The Surgery Center of Fairbanks campus. It is approximately 3 miles (perhaps 5 minutes) from the Fairbanks Community Hospital and approximately 10 miles (perhaps 10-15 minutes) from the FMH Banner run Tanana Valley Clinic. A map showing the location is included in the Appendix.

b. special architectural provisions for the aged and persons with a disability;

The existing space meets the standards of the American with Disabilities Act. The building has side rails in the hallway to assist any population group in walking.

c. hours of operation; and

Monday through Friday from 7am to 5pm and every other Saturday. Walk in appointments are welcome.

d. the institution's policies for nondiscrimination in patient services.

Fairbanks Medical Imaging, LLC does not discriminate against a patient because of race, creed, color, national origin, or because a patient is covered by Medicaid or Medicare and does not discriminate based on a patient's lack of insurance or ability to pay.

Section V.

Consideration of Quality, Effectiveness, Efficiency, and Benefits of the Applicant's Services

Please discuss the following in narrative form:

1. ACCREDITATION AND LICENSURE: *The current status, source, date, length, etc., of the applicant's license and certification. Include information on Medicaid and Medicare Certification.*

The Computed Tomography Services were surveyed by the Committee on Computed Tomography Accreditation of the Commission on Quality and Safety and the Unit was approved for Adult and Pediatric Patients Head/Neck, Chest, Abdomen. The Accreditation status is for January 17, 2012 through January 17, 2015.

The Magnetic Resonance Imaging Services were surveyed by the Committee on MRI Accreditation of the Commission on Quality and Safety and the Unit was approved for Adult and Pediatric Patients Head/Neck, Chest, Abdomen. The Accreditation status is for December 27, 2011 through December 27, 2014.

The federal government, through CMS, designates NSR as a Group Medical Practice and Alaska Medicaid recognizes NSR as a Health Professional Group (Medicaid Provider #1571271).

2. QUALITY CONTROL: *How the applicant plans to ensure high quality service.*

Continuation of the certification of CT and MRI services ensures high quality service as measured by an independent national organization. The practice uses tools such as evidence based guidelines, imaging protocols for the services. The vast experience, training of Skagit Radiology PS, Inc radiologists are available for consultation to the Fairbanks based staff.

Radiation safety is a priority. A radiation safety officer monitors the safety culture, making changes when needed. Review of protocols for tests is constantly reviewed utilizing national benchmarking practices and keeping up with the latest in national trends.

Feedback from patients assists to address cost and quality issues. An equipment preventive maintenance program is also in place.

Staff qualifications for job requirements are included in the appendix. Staff follow established safety procedures and protocols and help to identify any safety concerns. Licensed physicians also obtain continuing education.

3. PERSONNEL: *Plans for optimum utilization and appropriate ratios of professional, subprofessional and ancillary personnel.*

The practice is small with specialized technicians for Clinical Services. The MRI and CT tech are cross trained to provide coverage, if needed. The only new service was for CT, the remainder of the staff was existing in the practice.

4. APPROPRIATE UTILIZATION: *Development of programs such as ambulatory care, assisted living, home health services, and preventive health care that will eliminate or reduce inappropriate use of inpatient services*

This question appears to be geared toward a hospital or nursing home application for a certificate of need and is not applicable. However, as an outpatient practice, imaging services can diagnose illnesses to treat patients early in the disease process which can reduce use inpatient services.

5. NEW TECHNOLOGY AND TREATMENT MODES: Plans to use modern diagnostic and treatment devices to enhance the accuracy and reliability of diagnostic and treatment procedures.

The CT scan provides low dose high resolution 3D images.

6. LABOR SAVING DEVICES AND EFFICIENCY: *The employment of labor-saving equipment and programs to provide operating economies.*

The newly configured medical office space provides efficiencies for staff, improving with patient flow. The clinical modalities are located on the back wall providing a hallway designed for patient flow from the dressing rooms to the clinical area and movement of a gurney for transport or wheelchair if necessary. The space configuration has one control room located between the CT scan room and the MRI scan room providing an operating economy. with the exception of the ultrasound room. As mentioned earlier in the application, the old mobile MRI was cost prohibited to move to a fixed location. The medical office space eliminates the need for patient to go to a trailer housing the MRI.

7. PROGRAM EVALUATION: *Future plans for evaluation of the proposed activity to ensure that it fulfills present expectations and benefits.*

Quality Measures are reported to Medicare, continuous monitoring of test protocols, monitoring of volumes and satisfaction from patients and physicians.

8. ORGANIZATIONAL STRUCTURE: *Include an organizational chart, descriptions of major position requirements and board representation; show representation from community economic and ethnic groups.*

An organization chart and job descriptions for key personnel are included in the Appendix.

9. STAFF SKILLS: *Provide descriptions of major position requirements, appropriate staff-to-patient ratios to maintain quality, and the minimal level of utilization that must be maintained to ensure that staff skills are maintained. Provide a source for the staffing standards.*

Job descriptions are included in the Appendix with the organization chart. The size of the practice has only one technician per modality. The staffing standards are not applicable to this project.

10. ECONOMIES OF SCALE: *The minimum and maximum size of facility or unit required to ensure optimum efficiency. If the planned project is significantly smaller or larger, explain the effect and why the size was chosen.*

FMI acquired the lease which FCI signed in September 2009. The initial layout was planned and the square footage already determined. Changes to the layout were made specific to FMIs specifications. The size of each clinical room fits the need for the equipment with space for patient transport and tech support. The size and the layout of the facility is adequate for patient privacy, comfort, administrative space, waiting room for family members who accompany patients for their appointments, and patient flow.

Section VI.
**Narrative Description of How Project Meets Applicable
Review Standards**

Section VI. Narrative Description of How Project Meets Applicable Review Standards

Describe in this section of the application how the proposed project meets each review standard applicable to all activities, and each specific review standard applicable to the proposed activity. Some of this information will duplicate information required elsewhere in the application packet; that duplication is intentional.

General Review Standard # 1 – Documented Need:

The applicant documents need for the project by the population served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation and other barriers to care.

The project serves the population of the entire Interior Region of Alaska with the primary service area of the Fairbanks North Star Borough. The Alaska Department of Labor statistics were used to define the population served. Section IV A provides documentation of the need for the population served, and also provides the narrative for the need for the addition of the CT scanner. The narrative is referenced here for inclusion to respond to this standard. Also the CT calculation used by CON staff in prior CON applications to show need for additional scanners shows the need for the 4th scanner proposed in this application. The Department has always rounded up to the nearest whole number.

	Average Annual CT Scan 2010- 2012	Expected number for 2015	minimum Scans Level expected per machine	# machines allowable	# machines existing or approved	# additional machines approvable
Interior Region 2015 estimated CT scans (+7% for population growth over 2010-12 avg)	10,313	11,035	3,000	3.68	3	0.68

The radiology practice has served the needs of the entire Interior Region of Alaska since 2008. The relocation of the practice to the Peger Road location began with the signed lease in September 2009 and transitioned to FMI as previously detailed in the application. It is reasonable for the practice to continue to serve the needs of the service area.

General Review Standard 1 is met

General Review Standard # 2 – Relationship to Applicable Plans:

The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.

There is no current local, regional or state health plan. The most recent State Health Plan is from 1984. Included in the Plan was the goal, “Provide adequate range of primary, prevention and acute care in communities.”

Healthy Alaskans 2020's 25 Leading Health Indicators is a list of critical health priorities for Alaska provides a science-based framework for identifying public health priorities and are designed to guide efforts in Alaska over the next decade to improve health and ensure health equity for all Alaskans. Healthy Alaskans 2020 is a joint project of the State of Alaska Department of Health and Social Services and the Alaska Native Tribal Health Consortium. One of the Objectives is: “Reduce the proportion of Alaskans without access to high quality and affordable healthcare.” The three indicators under this Objective include access to prenatal care, preventable hospitalizations and adults reporting that they could not afford to see a doctor in the last 12 months.

We reference these as an indication this project supports the stated goal and objective in the documents. This standard is met as we checked with the State of Alaska website for the plans. Also the State’s webpage does not have any planning publications pertinent to imaging services. The Department does have Standards for CT Scanning and MRI. The State CON office also collects utilization data and the Applicant has obtained this information from the CON coordinator.

General Review Standard # 2 is met.

General Review Standard #3 – Stakeholder Participation:

The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.

Fairbanks Medical Imaging d/b/a has met this standard because the physicians participated in the planning and design of the facility. Physicians are also stakeholders.¹⁸ Physicians in this organization also provide imaging services in Soldotna, Alaska and bring their vast experience in knowing what patients want for a patient friendly design and awareness of patient privacy. Lay staff members also participated in the planning of the space design.

This standard is met.

General Review Standard # 4 – Alternatives Considered:

The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.

Alternatives were considered:

1. Do nothing: It was not possible to remain at the previous location in Fairbanks, AK as the lease had ended and was only month to month until the Peger Road location was

¹⁸ Imaging Associates of Providence, Anchorage and Mat-Su Imaging Facilities, Certificate of Need Review, June 26, 2008. Page 5.

finished. This is also not an acceptable alternative as the healthcare environment under healthcare reform will require communities to be responsive to the need for lower cost alternatives.

It is also worth noting that by precluding NSR from operating its office in the Fairbanks area, the State will be promoting anti-competitive and monopolistic activities. The law specifically requires the State to give due consideration to the possible anticompetitive effects its actions may carry. AS 45.50.564 and AS 45.50.572(g). In this situation, precluding competition and allowing one entity to engage in the vast majority of radiological services in a given area may be anti-competitive and monopolistic. This potential outcome would be adverse to the principles of fair competition.

The space was committed to when the lease was signed in September 2009 and the space layout design was underway in mid 2010. This alternative is rejected.

2. Decide not to put a CT scan in the project. This is an impossible alternative to really consider at this time as the CT scan is in place and is serving the needs of the Interior Alaska population. To take it out of service would diminish accessibility and availability of a needed service. The applicant has shown the need for the additional scanner. This alternative is rejected.
3. Complete the project relocation with the addition of CT services. This is chosen.

This standard is met.

General Review Standard #5 – Impact on the Existing System:

The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.

FMI d/b/a North Star Radiology office practice has been providing imaging services, together with its predecessor, FCI, since 2008 in Fairbanks, Alaska. In 2012 over 5,569 patient modalities were provided. The service does complement existing services. FMI provides back up to Basset Army base imaging services. The practice sees a significant number of Tricare members and Veteran's Affairs Patients (14% of the practice volume).

It also provides an alternative to the FMH Banner health care system, offering patients a choice. It also provides needed competition to the sole provider FMH Banner Health, although FMH Banner Health is thriving. The services at the hospital must also serve inpatients and emergencies that have priority. The dedicated outpatient imaging practice reduce patient waiting time, and are not 'bumped' by emergencies and inpatients.

FMI has specialty trained radiologists available in every radiology specialty who are available for consultation on cases.

We do not believe we have impacted the separate ultrasound imaging business. From what we have heard, the practice enjoys strong volumes. No data is available for that practice. We believe FMI provides needed competition for patient choice.

General Review Standard # 6 – Access:

The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This included the relocation of existing services or facilities.

The practice relocated an existing practice to the campus of the Surgery Center of Fairbanks and is located in the medical office building. Located at the intersection of Peger and Davis Road, the facility provides convenient parking, is ADA accessible. It is approximately 3 miles (perhaps 5 minutes) from the Fairbanks Community Hospital and approximately 10 miles (perhaps 10-15 minutes) from the FMH Banner run Tanana Valley Clinic. The facility is a half mile from the major intersection of Airport Way and Peger Road. It is also near the Fairbanks International Airport and the Mitchell Highway. There is ease of access from the Parks Highway and the University district.

Service Specific Standards

VII. Diagnostic Imaging Services: Review Standards and Methodology

The department will develop and maintain data sources for measuring utilization rates and will identify regional and national norms to use in assessing the reasonableness of applicant assertions about projected levels of service.

A. Magnetic Resonance Imaging Review Standards

- 1. Except as provided in Review Standard 2, an applicant who seeks to establish an MRI service demonstrates the ability to provide a minimum of 3,000 MRI scans per year by the end of the third operational year, dating from the initiation of the service.***

This standard is not applicable and we request it be excepted as this MRI service does not seek to establish an MRI service. The service was established and was operational since 2007. This is a routine replacement piece of equipment under 7 AAC 07.031 (e).

- 2. An applicant who seeks to establish an MRI service in a community with a population of 10,000 or less demonstrates the ability to provide a minimum of 1,000 MRI scans per year by the end of the third year, dating from the initiation of the service. (Based on the estimate of a minimum of 2,500 scans/70,000 people, it is estimated that the minimum service area population for an MRI service to provide a minimum of 1,000 MRI scans per year would be 28,000 people.)***

Not applicable and we request it be excepted as the service area has a population greater than 10,000.

3. ***No MRI service will be approved at a location that is less than 30 minutes access time of an existing MRI service performing fewer than 3,000 scans per year, or of a CON-approved, but not yet operational, MRI service.***

Not applicable and we request it be excepted as this is an existing MRI service that has been operational since 2008 and this is a routine replacement piece of equipment under 7 AAC 07.031(e).

C. Computed Tomography Review Standards

4. ***An applicant who seeks to establish a new CT service in an urban area (population of 70,000 or more) demonstrates the ability to provide a minimum of 3,000 CT scans per year by the end of the third operational year, dating from the initiation of the service.***

We request a waiver of this standard (1) under 7 AAC 07.025 (b) because meeting the standard would cause a reduction in the availability, quality, or accessibility. Reasons include:

1. Standard #3 in the CT Review Standards has been met justifying the addition of the CT scanner. 3.68 scanners are allowable. With 3 in service the proposed unit is justified. The Department has always rounded up to the whole number.

1. Taking this unit out of operation will reduce availability and accessibility to the patients of the Interior Region.
2. FMI provides back up to Bassett Army base when their CT Scanner is down for repairs.
3. 14% of FMI volume is from Tricare and Veterans Administration patients.
4. There is no State adopted methodology to project future volumes.
 - a. The introduction on page 23 of the “*Alaska Certificate of Need Review Standards and Methodologies, December 9, 2005*” to the VII. Diagnostic Imaging Services: Review Standards and Methodology reads, “The department will develop and maintain data sources for measuring utilization rates and will identify regional and national norms to use in assessing the reasonableness of applicant assertions about projected levels of service.” (emphasis added)
 - b. The document then goes on to cite the Review Standards.
 - c. The introductory statement in 5.a. above is not listed as a Review Standard.
 - d. No regional or national norms have been identified by the Department to be used.

This provides the opportunity for the applicant to use regional and national norms (trends) to assert how we should be able to achieve 3000 scans. These are identified in the application (Section VI. B.2.).

- e. It should also be accepted that not recognizing the regional or national norms and holding to only a strict population projection calculation (again, this is not an adopted methodology) will cause a reduction in the availability and accessibility and eliminate the quality services provided at FMI. The following chart shows the expected number of CT scans using a strict population increase percentage.

	Average Annual CT Scan 2010- 2012	Expected number for 2015	minimum Scans Level expected per machine	# machines allowable	# machines existing or approved	# additional machines approvable
Interior Region 2015 estimated CT scans (+7% for population growth over 2010-12 avg)	10,313	11,035	3,000	3.68	3	0.68

In the event the waiver is denied , the numerous reasons below discuss how it is reasonable that FMI may be able to achieve the 3000 scans annual standard.

The chart below shows anticipated volume: above the formula augmenting the population projection method (above), taking into account regional and national trends.

Volume anticipated 2015 with the following	2035
Incremental annual volume expected	986
Neurosurgeon new to community 2013	264
Neurosurgeon who will move to community 2014	264
Aging of the population	308
Current uninsured obtaining insurance and services	50
National trends for increases to imaging	100
 Total expected 2015	 3021

The rationale and reasonableness for our projected volume projection:

1. There is no State adopted methodology for projection of volume.
2. Using the strict population percentage increase it is reasonable that FMI would be at 2,035 scans in year 2015. (11,035 scans less 9,000 from the existing 3 scanners = 2,035 scans).
3. Using regional and national norms to augment that volume should result in another 986 annual scans. $2,035 + 986 = 3021$. The volume sources:
 - a. Scans previously performed out of the service area. A neurosurgeon, Paul Jensen, MD opened a full time practice in Fairbanks in 2013. In 2011 -2012 he only saw patients in Fairbanks one to two days per week. The historical 2010 – 2012 data is understated for neurosurgeon ordering patterns. His volume increased in 2013, therefore his use of CT scans increased at FMH Banner facilities and FMI. Those additional cases should be included in projections. Additional volume estimated at 264 annual scans (21 per month).
 - b. Another neurosurgeon has been recruited to this practice, scheduled to arrive in mid 2014. Additional volume estimated at another 21 scans per month or 264 annual scans by year 2015

- c. Aging of the population could account for another 308 scans by applying the current use rate of .0916744 times the 3361 increase in the 65 + population group. The segment of the Interior Region population aged 65+ is detailed on the State of Alaska Department of Labor website.¹⁹ A copy of the detail is included in the Appendix.

Average Annual CT Scan 2010- 2012 10,313 Population 112,496 use rate (scans / population) 0.0916744	65+ population 2010 7775	65+ population 2015 11,136	65+ population increase 2010 to 2015 3361
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- d. Current uninsured obtaining health insurance through the Health Exchange developed as a result of the Affordable Care Act. This insurance will be implemented January 1, 2014. Enrollment is underway. 21% of Alaskans are without insurance.²⁰ Using the AK DOL population figures referenced in this application, with detail in the Appendix, Interior Regional 2015 population projection excluding seniors 65+ is 109,511. Projected population 120,647 less 11,136 aged 65+ = 109,511. 21% of 109,511 = 22,997 Interior Alaskans without insurance. We anticipate a conservatively that 50 of those 22,997 who obtain insurance will obtain CT scans at our facility.
- e. National Trends for imaging service increases far above the 7% population projection. The detail is provided in Section IV B.2. of this application. We anticipate 100 exams conservatively.
4. The January 2013 issue of *Alaska Economic Trends* provides information to support proposed increases in health care services, which by reference would increase CT scanning volumes.

¹⁹ <http://labor.alaska.gov/research/pop/popproj.htm>

²⁰ <http://www.hhs.gov/healthcare/facts/bystate/ak.html>

- a. The article forecasts increases to the Fairbanks economy with employment on track to for another years, this time by 1.3 percent.²¹
 - b. Construction had a growth of 4.0 percent in 2012 and in the coming year the Army Corps of Engineers projects in the Fairbanks area will likely boost construction employment. Federal construction spending in the Fairbanks area is projected to increase by 47 percent in FY 2014.²² The construction jobs will be in the private sector, likely with businesses offering health insurance.
 - c. The article states the health care industry in Fairbanks has grown steadily in recent years.²³ This indicates that patients seeking services will likely increase in all areas.
 - d. The Aging of the 65-plus population is expected to grow by 43 percent between 2010 and 2015.²⁴ This population sector seeks health care services at a rate higher than younger population groups.
5. The federal government also announced in October 2013 plans to keep the 18th Aggressor Squadron at Eielson Air Force Base, keeping the Eielson's current employment of 3,100 intact.
 6. The implementation of the federal Affordable Care Act which began offering health care insurance to the current uninsured will increase accessibility to health care services including imaging services such as CT. 21% of Alaskans do not have health insurance.²⁵

It is more than reasonable to assume that the CT growth projected by Fairbanks Medical Imaging can be realized with the above noted findings. We still request a waiver of the standard as indicated above.

4. ***An applicant who seeks to establish a new CT service in a rural area demonstrates the ability to provide a minimum of 1,000 CT scans per year by the end of the third operational year, dating from the initiation of the service.***

Not applicable as this is not a rural area.

5. ***No new CT service will be approved in a service area or at a location that is less than 30 minutes travel time of an existing CT service performing fewer than 3,000 scans per year, or of a CON-approved but not yet operational, CT service.***

Data obtained from the Certificate of Need office showed the following number of persons from the target population who are currently using the CT Scanners in the service area. We have also included the total scans in year 2012 from Fairbanks Medical Imaging d/b/a North Star Radiology. The scanner is not counted in the existing supply for which approval is being

²¹ Alaska Economic Trends, Alaska State Department of Labor, January 2013 page 11

²² Ibid page 11

²³ Ibid page 12

²⁴ Ibid, page 12

²⁵ <http://www.hhs.gov/healthcare/facts/bystate/ak.html>

sought although the scans should be counted since they would presumably have been conducted at another facility if the service had not been available. This is consistent with the practice followed by The Department in its review of a CON application for imaging services in 2008.²⁶

	Fairbanks Memorial Hospital		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
FIC	2585	2749	2545
FMH	6320	7066	6391
TVC	919	948	1037
FMI			380
total	9824	10763	10313

We have utilized the same formula used by the Department in a prior imaging application²⁷

	Average Annual CT Scan 2010- 2012	Expected number for 2011	minimum Scans Level expected per machine	# machines allowable	# existing or approved	# additional machines approvable
Interior Region 2015 estimated CT scans (+7% for population growth over 2010-12 avg)	10,313	11,035	3,000	3.68	3	0.68

3.68 scanners are allowable. There are 3 existing or a need for an additional machine, thus the need for the proposed **FMI unit is justified**. The Department has always rounded up need calculations to a whole number. This standard is met.

The CT located in the FMH operated Tanana Valley Clinic is used by physicians employed by the clinic. The hospital's main CT primarily must serve emergency room patients and inpatients.

- 4. An applicant who seeks to expand an existing CT service must demonstrate an average service volume of at least 4,000 CT scans annually for each existing CT scanner at the service site.**

²⁶ "Review of a Certificate of need Application to Develop Imaging Facilities in the Mat-Su Valley and Anchorage Submitted by Imaging Associates of Providence", June 26, 2008, State of Alaska DHSS, Certificate of Need Program, page 9, footnote 15.

²⁷ Ibid, page 9 methodology

Section VIIIA. Financial Data - Acquisitions

1. Acquisition type: Clinical equipment

X Lease of equipment and Purchase of equipment

Group: EQUIPMENT

XRAY QUANTUM TUBE	8/15/11	61,213.03
XRAY CR SYSTEM READER	7/11/11	41,000.00
MRI WHEELCHAIR	7/26/11	2,955.34
MRI TRANSPORT GURNEY	8/09/11	4,534.98
MRI INJECTOR	6/10/11	55,004.55
PT SPOT VITAL SIGNS MONITOR	8/11/11	2,411.24
CRASH CART	9/13/11	<u>3,006.75</u>
TOTAL		<u>170,125.89</u>

Leased equipment

SOMATOM EMOTION 16 Q1-2510HK	1/01/11	340,000.00
------------------------------	---------	------------

Siemens Somatom Emotion CT scan is leased through Siemens. The total cost of the CT scan is \$340,000. A copy of the lease is attached.

The remainder of the equipment above was financed through a loan from Skagit Radiology, PS, Inc

Note: Acquisition costs must include (as appropriate):

- Total purchase price of land and improvements (if donated, the fair market value**)
- "Goodwill" or "purchase of business" costs
- The net present value of the lease calculated on the total lease payments over the useful life of the asset as set out in the 2004 version of *Estimated Useful Lives of Depreciable Hospital Assets*, published by the American Hospital Association.

- Consultant or brokers fees paid by person acquiring the facility
- Other pre-development costs to date.

*Site acquisition should be stated as "book" value, i.e. actual purchase price plus costs of development. If desired, the applicant may elect to state the acquisition as "fair market value"*** (in which case, give reason and basis).

** A form for use in calculating fair market value is included on page 31 of this packet. Include your calculations as part of this section of your application

Section VIII.B. Financial Data – Construction Only

7 AAC 07.012 (a) addresses the expenditure for lease improvements.

Group: BUILDING & BLDG IMPROV.

Direct Clinical Space only

LEASE IMPROVEMENTS 2011

623,000

A CERTIFIED ESTIMATE FROM THE GENERAL CONTRACTOR, David DuClos of DuClos Construction Inc for the \$623,000 direct clinical space follow this page.

Jim Thompson, CPA, Controller for Skagit Radiology has verified that in 2011, Fairbanks Medical Imaging LLC opened a line of credit for \$1.2MM with Wells Fargo for the purpose of financing tenant improvements on the existing location. The first draw on the line was in June 2011 and the last was in September 2011. The line was paid in full in April 2012.

DuClos Construction Inc.

PO Box 92710
Anchorage, AK 99509

cell 244-9933, email: dci@acsalaska.net

October 17, 2013

Clinical Space Cost Analysis:

To: Anderson and Lohr Healthcare Consulting Services LLC
Attn: Sharon Anderson, ph 770-9607
From: David DuClos
Project: Fairbanks Medical Imaging, LLC – Fairbanks, Alaska
AKA: Northstar Medical Imaging

Hello Sharon:

DuClos Construction Inc. was the general contractor for the above project.

As you have requested; I looked at breaking-out the direct construction costs for the clinical areas of the above project.

The cost for the clinical areas is approximately \$623,000.00 dollars.

This includes the lead sheetrock, RF shielding, and premium for mechanical and electrical systems.

If you have any further questions or require additional analysis please give me a call.

Sincerely,



David DuClos,
President

Section IX. Financial Data – All Proposed Activities

Provide an accompanying narrative explanation for each of the schedules below if there are any significant trends or significant changes in any item or group of items from year to year.

Note: Indicate whether you are using a calendar year or other fiscal year period.

Calendar year is used

A. Attach Schedule I - Facility Income Statement

1. For the most recent prior full fiscal or calendar years.

Schedule I Facility Income Statement

	<u>2011</u>	<u>2012</u>	<u>2013 (9 months)</u>
Patient Revenue	\$ 1,120,161	\$ 3,654,027	\$ 2,608,114
Less Refunds	\$ (12,999)	\$ (59,559)	\$ (55,224)
other income	<u>\$ 36,000</u>	<u>\$ 223,750</u>	<u>\$ -</u>
Total income	\$ 1,143,161	\$ 3,818,218	\$ 2,552,890
Expenses			
Salaries / Labor	\$ 172,454	\$ 361,448	\$ 532,910
Other expenses	\$ 263,675	\$ 115,928	\$ 155,931
Depreciation	\$ 676,942	\$ 1,009,914	
Interest	\$ 62,320	\$ 88,867	\$ 5,046
Equipment rental	\$ 414,974	\$ 407,706	\$ 192,006
Rent	\$ 232,565	\$ 248,897	\$ 212,392
Supplies	\$ 64,490	\$ 57,527	\$ 39,912
Utilities	\$ 97,348	\$ 96,748	\$ 90,606
Repairs and Maintenance	\$ 139,118	\$ 242,930	\$ 245,648
Property tax			\$ 5,655
Total Expense	\$ 2,123,884	\$ 2,629,964	\$ 1,480,107
Excess (Shortage) of Revenue	\$ (980,723)	\$ 1,188,254	\$ 1,072,783

2. Projections during construction or implementation period (if applicable)

Not applicable

Facility Income Statement**3. Projection for three years following completion of construction, or implementation of the proposed activity.**

Budget for next three years is included in the Appendix

B. Attach Schedule II - Facility Balance Sheet**1. For the most recent five prior fiscal or calendar years.**

Balance sheets are attached.

2. Current fiscal or calendar year to date

The first nine months of 2013 is included in IX.A.1 above

C. Attach Schedule III - Average Patient Cost Per Day (Per Diem Rate if applicable) and Revenue Amounts Provide Last five years actual Projections for Three years beyond Project Completion.

The practice is not reimbursed on a patient cost per day, thus the per diem rate is not applicable. Revenue for the past 2 years, 9 months is in IX.A.1 of this section.

D. Attach Schedule IV – Operating Budget

Current and projected line item capital and operating budgets for the proposed activity. Describe what alternative plans have been made if deficits occur.

The operating budget for the next three years is included in the Appendix.

E. Attach Schedule V – A. Debt Service Summary, and B. New Project Debt Service Summary

A debt service cash flow schedule over the life of the debt, if applicable, for all long-term debt of the facility. Identify each debt, including the proposed activity, and break out interest, principal, and other costs.

Accreditation Certificates

American College of Radiology
MRI Accreditation of the Commission on Quality and Safety
December 27, 2011 through December 27, 2014

American College of Radiology
Computed Tomography Accreditation of the Commission on
Quality and Safety
January 17, 2012 through January 17, 2015



American College of Radiology

Magnetic Resonance Imaging Services of

North Star Radiology

**2310 Peger Road, Suite 102
Fairbanks, Alaska 99709**

were surveyed by the
Committee on MRI Accreditation of the
Commission on Quality and Safety

The following magnet was approved

Siemens VERIO 3T 2011

For

Head, Spine, Body, MSK, MRA

Accredited from:

December 27, 2011 through December 27, 2014

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY



American College of Radiology

Computed Tomography Services of

North Star Radiology

2310 Peger Road

Suite 102

Fairbanks, , Alaska 99709

were surveyed by the
Committee on Computed Tomography Accreditation of the
Commission on Quality and Safety

The following unit was approved

Siemens SOMATOM EMOTION 16 2011

For

Adult and Pediatric Patients

Head/Neck, Chest, Abdomen

Accredited from:

January 17, 2012 through January 17, 2015

A handwritten signature in dark ink, appearing to read "Mark Armstrong", is positioned above a horizontal line.

CHAIRMAN, COMMITTEE ON COMPUTED
TOMOGRAPHY ACCREDITATION

A handwritten signature in dark ink, appearing to read "Samuel J. Brown", is positioned above a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

Net Present Value Calculation Lease Clinical Space

Year	Total Payments	Per Sq Ft	Applicable Sq Ft	Rent per Applicable Sq Ft	# of Months
2011	207,415.00	4.32	1,661.00	7,177.42	10
2012	248,897.00	4.32	1,661.00	7,177.39	12
2013	255,120.00	4.43	1,661.00	7,356.85	12
2014	262,132.48	4.55	1,661.00	7,559.06	12
2015	269,823.40	4.68	1,661.00	7,780.85	12
2016	277,514.33	4.82	1,661.00	8,002.63	12
2017	285,205.26	4.95	1,661.00	8,224.41	12
2018	292,896.19	5.09	1,661.00	8,446.19	12
2019	300,587.12	5.22	1,661.00	8,667.97	12
2020	308,278.05	5.35	1,661.00	8,889.75	12
2021	315,968.98	5.49	1,661.00	9,111.54	12
2022	323,659.90	5.62	1,661.00	9,333.32	12
2023	331,350.83	5.75	1,661.00	9,555.10	12
2024	339,041.76	5.89	1,661.00	9,776.88	12
2025	346,732.69	6.02	1,661.00	9,998.66	12
2026	354,423.62	6.15	1,661.00	10,220.44	12
2027	362,114.55	6.29	1,661.00	10,442.23	12
2028	369,805.47	6.42	1,661.00	10,664.01	12
2029	377,496.40	6.55	1,661.00	10,885.79	12
2030	385,187.33	6.69	1,661.00	11,107.57	12
2031	392,878.26	6.82	1,661.00	11,329.35	12
2032	400,569.19	6.95	1,661.00	11,551.14	12
2033	408,260.12	7.09	1,661.00	11,772.92	12
2034	415,951.04	7.22	1,661.00	11,994.70	12
2035	423,641.97	7.35	1,661.00	12,216.48	12
2036	431,332.90	7.49	1,661.00	12,438.26	12
2037	439,023.83	7.62	1,661.00	12,660.04	12
2038	446,714.76	7.76	1,661.00	12,881.83	12
2039	454,405.69	7.89	1,661.00	13,103.61	12
2040	462,096.61	8.02	1,661.00	13,325.39	12
2041	469,787.54	8.16	1,661.00	13,547.17	12
2042	477,478.47	8.29	1,661.00	13,768.95	12
2043	485,169.40	8.42	1,661.00	13,990.74	12
2044	492,860.33	8.56	1,661.00	14,212.52	12
2045	500,551.26	8.69	1,661.00	14,434.30	12
2046	508,242.19	8.82	1,661.00	14,656.08	12
2047	515,933.11	8.96	1,661.00	14,877.86	12
2048	523,624.04	9.09	1,661.00	15,099.64	12
2049	531,314.97	9.22	1,661.00	15,321.43	12
2050	133,309.43	9.26	1,661.00	15,376.87	3
15,126,795.46				448,937.35	
13.28%				13.28%	
\$1,984,516.86				\$63,901.60	

Includes only clinical square footage:
X-Ray (204 sf), C-Arm (210 sf), CT (330 sf), Tech Work Area
(282 sf), MRI (494 sf), Equipment Room (60 sf), Recovery (15
sf), Ultrasound (36 sf), and Reading Room (30 sf).

Architects Alaska
 Architects Alaska, Inc.
 900 W. 2nd Ave. Suite 400
 Anchorage, Alaska 99501
 907.575.2500 • 907.571.1733 fax
 101 E. Northern Ave. Suite 200
 Wasilla, Alaska 99684-5283
 907.575.2500 • 907.576.1546 fax

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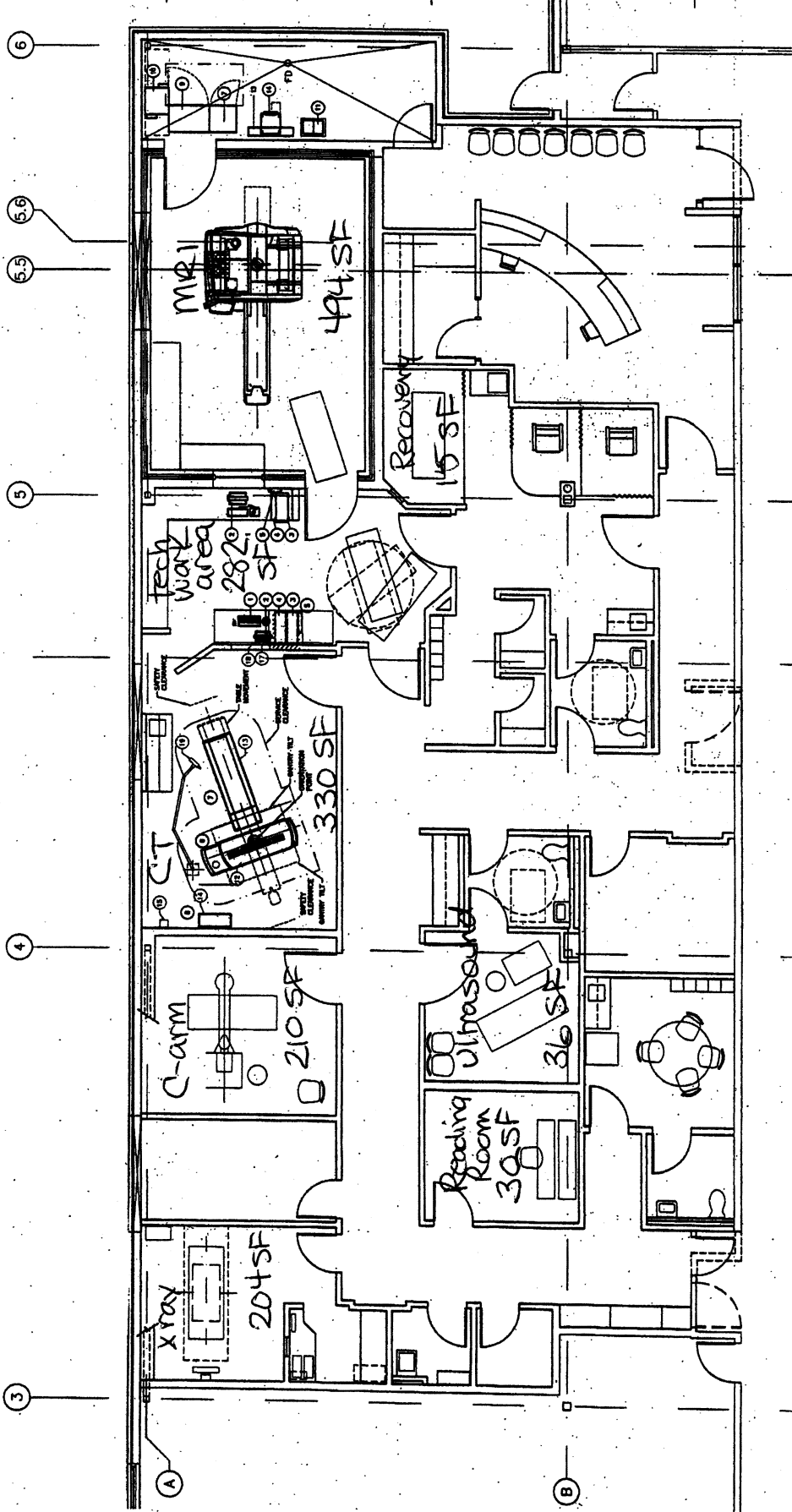
SKAGIT RADIOLOGY
 IMAGING CENTER
 FAIRBANKS, ALASKA

Revisions	No.	Description	Date

Drawn by	
Checked	
Job No.	
Project	

Sheet Contents
 equipment & furniture plan

Category	A
Sheet No.	1A



EQUIPMENT & FURNISHINGS PLAN
 1/4" = 1'-0"

Population Projections Interior Region

- 1. Estimates July 2015, 2020 and 2025 Projected**

Alaska Department of Labor

- 2. Alaska Economic Trends, January 2013
Employment Forecast for 2013, pages 11-13 Fairbanks**

Interior Region Population by Age and Sex, and Components of Change: 2010 to 2035
Return

July 1, 2010 Estimate

Age	Total	Male	Female
0-4	9,002	4,667	4,335
5-9	8,033	4,129	3,904
10-14	7,422	3,853	3,569
15-19	7,871	4,114	3,757
20-24	10,938	6,243	4,695
25-29	9,958	5,520	4,438
30-34	8,155	4,346	3,809
35-39	7,362	3,876	3,486
40-44	6,912	3,630	3,282
45-49	7,818	4,035	3,783
50-54	8,246	4,260	3,986
55-59	7,547	4,044	3,503
60-64	5,457	3,025	2,432
65-69	3,221	1,785	1,436
70-74	1,888	994	894
75-79	1,199	588	611
80-84	869	407	462
85-89	417	154	263
90+	181	56	125
Total	112,496	59,726	52,770
Median Age	31.9	31.5	32.2

July 1, 2020 Projected

Age	Total	Male	Female
0-4	9,971	5,115	4,856
5-9	10,237	5,258	4,979
10-14	9,279	4,851	4,428
15-19	8,064	4,234	3,830
20-24	8,599	5,110	3,489
25-29	9,275	5,117	4,158
30-34	11,152	5,793	5,359
35-39	10,062	5,300	4,762
40-44	8,147	4,318	3,829
45-49	7,117	3,783	3,334
50-54	6,497	3,492	3,005
55-59	7,061	3,682	3,379
60-64	7,254	3,738	3,516
65-69	6,446	3,425	3,021
70-74	4,415	2,399	2,016
75-79	2,409	1,281	1,128
80-84	1,234	609	625
85-89	588	253	335
90+	362	126	236
Total	128,169	67,884	60,285
Median Age	33.9	33.7	34.1

July 1, 2030 Projected

July 1, 2015 Projected

Age	Total	Male	Female
0-4	10,030	5,143	4,887
5-9	9,217	4,790	4,427
10-14	8,113	4,201	3,912
15-19	7,374	3,885	3,489
20-24	9,025	5,278	3,747
25-29	11,136	6,040	5,096
30-34	9,934	5,256	4,678
35-39	8,306	4,406	3,900
40-44	7,225	3,800	3,425
45-49	6,815	3,618	3,197
50-54	7,500	3,907	3,593
55-59	7,815	4,038	3,777
60-64	7,021	3,756	3,265
65-69	4,978	2,748	2,230
70-74	2,821	1,537	1,284
75-79	1,603	820	783
80-84	911	430	481
85-89	555	237	318
90+	268	82	186
Total	120,647	63,972	56,675
Median Age	32.7	32.5	33.0

July 1, 2025 Projected

Age	Total	Male	Female
0-4	9,790	5,014	4,776
5-9	10,175	5,228	4,947
10-14	10,299	5,330	4,969
15-19	9,242	5,337	3,905
20-24	9,285	5,359	3,926
25-29	8,883	4,733	4,150
30-34	9,311	4,747	4,564
35-39	11,296	5,888	5,408
40-44	9,874	5,215	4,659
45-49	8,028	4,318	3,710
50-54	6,788	3,621	3,167
55-59	6,070	3,213	2,857
60-64	6,516	3,350	3,166
65-69	6,669	3,466	3,203
70-74	5,759	3,058	2,701
75-79	3,803	2,040	1,763
80-84	1,874	957	917
85-89	802	354	448
90+	417	136	281
Total	134,881	71,364	63,517
Median Age	35.2	34.9	35.5

July 1, 2035 Projected



ALASKA ECONOMIC **TRENDS**

JANUARY 2013

Employment Forecast for 2013

by STANLEY

Economists had a tougher time forecasting employment in recent years.

ALASKA ECONOMIC TRENDS
JANUARY 2013

ALASKA ECONOMIC TRENDS



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Dianne Blumer, Commissioner

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On the cover: The sun rises in downtown Juneau in December.
Photo by Sam Dapcevich

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Economic Forecast for 2013 4

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Fairbanks	11
Southeast	14

Employment Scene 17

Economists had a tougher job forecasting in recent years

January Authors



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Job gain of 1.3 percent forecasted for Fairbanks

By **ALYSSA SHANKS**
Economist

The Fairbanks economy has grown slowly for several years, following a dip in 2009 related to local military deployments and a faltering national economy. With a strong state economy in the years since and no deployments scheduled for Fairbanks soldiers in 2013, employment is on track to grow for another year, this time by 1.3 percent. (See Exhibit 1.)

Though military ties have been an asset in the past, they make the Fairbanks economy potentially vulnerable in the future. Federal discussions about moving the 18th Aggressor Squadron from Eielson Air Force Base to Joint Base Elmendorf-Richardson near Anchorage will likely resume in the fall of 2013. This move would reduce Eielson's current employment of 3,100 by nearly half.

Mining appears golden for now

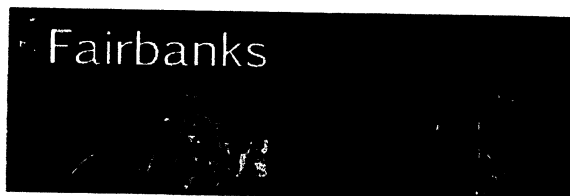
Fairbanks' mining industry is split almost evenly between gold mining and support services for oil and gas. The industry has grown by small increments every year since 2008, with the largest increase of nearly 200 jobs between 2010 and 2011.

Mining employment was stable in 2012 at around 1,300 jobs, but employment in the sub-industries was more volatile. Jobs in gold mining increased in 2012 while oil and gas support employment held steady. Overall, mining is forecasted to add 100 jobs in 2013, which would push Fairbanks' mining industry employment to an all-time high. (See Exhibit 2.)

Construction grows slowly

Fairbanks' construction industry has been in tumult since its peak of just over 2,900 jobs in 2005. Since then, employment has gone up and down every year or two. In 2011, construction fell by 1.8 percent after growing 6.4 percent the year before, then resumed growth at 4.0 percent in 2012. (See Exhibit 2.)

In the coming year, Army Corps of Engineers projects in the Fairbanks area will likely boost construction employment. New and ongoing



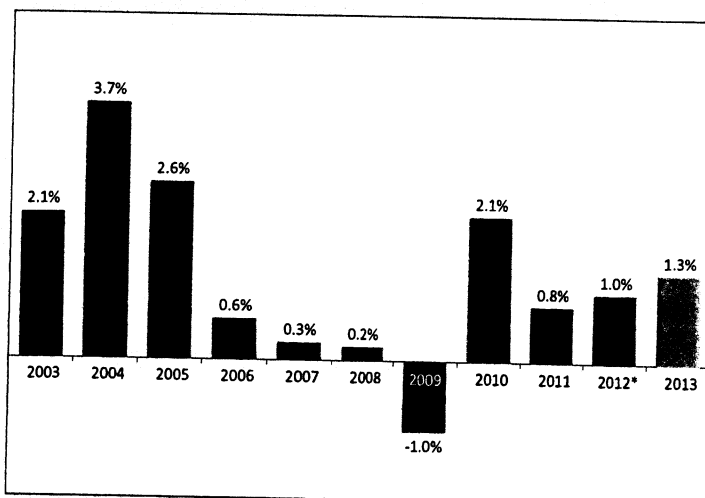
projects include construction on Fort Wainwright hangars and a modified firing range, an upgraded rail line, new enlisted barracks, and repairs to utility systems. The 2014 federal fiscal year, which begins in October of 2013, may boost construction even further as spending in the Fairbanks area is projected to increase by 47 percent, from \$70.6 million in FY 2013 to \$104 million in FY 2014. However, that spending is not yet certain and funding levels can quickly change.

Retail expected to grow modestly

Fairbanks retail employment peaked in 2006 and has been relatively stable since, growing by 100 jobs in 2012 and expected to remain at the same level in 2013.

The only major job declines came in 2009 with the deployment of troops from Fort Wainwright. Employment picked up in 2011 after soldiers and

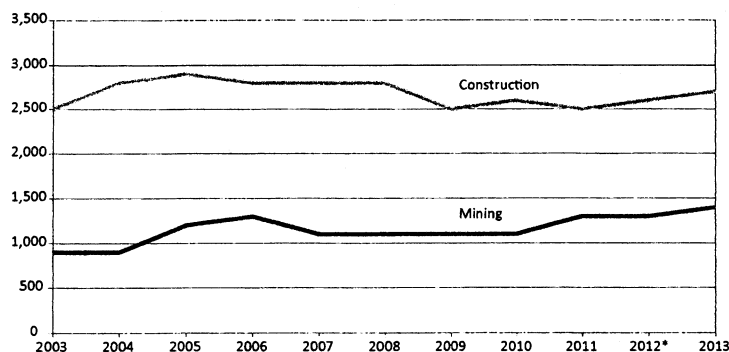
1 Moderate Employment Growth Fairbanks, 2003 to 2013



*Preliminary

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

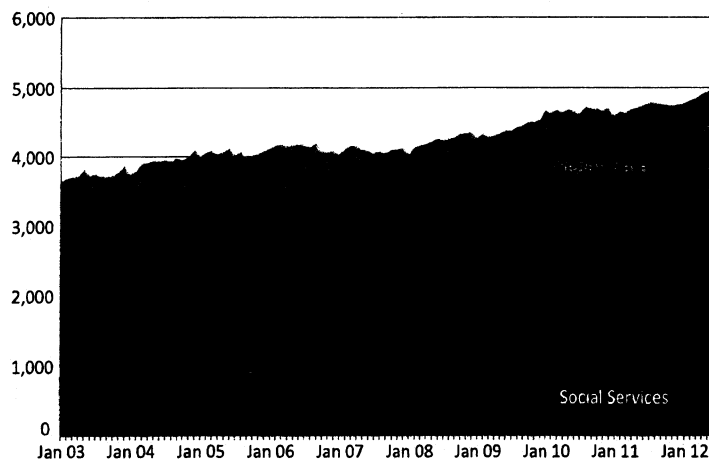
2 Construction, Mining on Steady Rise Fairbanks, 2003 to 2013



*Preliminary

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

3 Health Care Continues to Climb Fairbanks, 2003 to 2013



*Preliminary

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

their families returned and settled back into pre-deployment purchasing patterns.

Several new stores opened in 2012, including Northern Vines Fine Wines and Spirits, Magnum Motors, Spirit of Halloween, and Pier 1 Imports.

Health care keeps expanding

The health care industry in Fairbanks has grown steadily in recent years (see Exhibit 3), with ex-

FAIRBANKS, continued

pansion ranging from small clinics to large hospitals.

Fairbanks, like Alaska as a whole, has a growing population of older residents who will require additional health care. The 65-plus population is expected to grow by 43 percent between 2010 and 2015, from approximately 6,400 to 9,300 people.

More visitors expected in 2013

The leisure and hospitality industry makes up about 11 percent of Fairbanks employment, serving residents and visitors alike. The industry took a hit in 2008 and continued to drop in 2009 as the national and worldwide economies suffered through the Great Recession. The deployment of troops from Fort Wainwright during much of 2009 further exacerbated these employment losses.

Since 2009, the industry has hummed along, playing a tune of slow recovery. In 2012, the industry averaged 4,200 jobs — slightly higher than in 2008, but still below its all-time high in 2007.

The return of the deployed troops has reinvigorated restaurants and other eating and drinking places. Meanwhile, an increase in visitors has slightly boosted hotels and other accommodation businesses. (See Exhibit 4.) With visitor levels expected to rise statewide and no scheduled deployments in 2013, employment is likely to grow again and could even hit a new high.

Government stable overall

Local, state, and federal government make up 30 percent of Fairbanks area employment, a level forecasted to hold steady overall in 2013 despite changes at different levels of government.

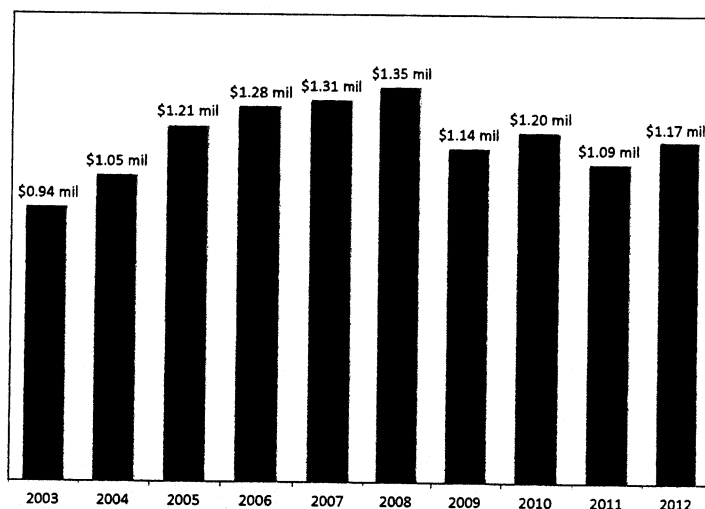
Local government, which includes the Fairbanks North Star Borough School District, is expected to grow by approximately 100 jobs, or 3 percent. This increase would replace the jobs lost in 2012 and bring the borough back to its 2011 employment level.

State government includes the University of Alaska Fairbanks and represents 8 percent of all jobs in the borough. State government employment has been stable over the last few years, and is likely to remain stable in 2013.

Budget changes due to anticipated federal deficits will likely result in a decline of 100 federal jobs in Fairbanks in 2013, as many retiring employees won't be replaced.

These expected losses could be larger depending on changes at Fort Wainwright and Eielson Air Force Base. The military began offering early retirement and voluntary separation pay last year as part of the 2012 Defense Authorization Act, and it's not yet clear how these programs will affect the levels of soldiers and civilian military personnel on the bases.

4 Bed Tax Receipts Back Up Last Year Fairbanks, 2003 to 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

5 Fairbanks Wage and Salary Employment Forecast 2011 to 2013

	2011 Monthly Average	2012 Monthly Average ¹	Change 2011 to 2012	Percent Change 2011 to 2012	2013 Monthly Average	Change 2012 to 2013	Percent Change 2012 to 2013
Total Nonfarm Wage and Salary ²	39,100	39,400	300	0.8%	39,900	500	1.3%
Goods-Producing ³	4,300	4,400	100	2.3%	4,600	200	4.5%
Service-Providing ⁴	34,800	35,000	200	0.6%	35,300	300	0.9%
Mining	1,300	1,300	0	0%	1,400	100	7.7%
Construction	2,500	2,600	100	4.0%	2,700	100	3.8%
Manufacturing	500	500	0	0%	500	0	0%
Trade, Transportation, and Utilities	7,700	7,800	100	1.3%	7,800	0	0%
Retail Trade	4,600	4,700	100	2.2%	4,700	0	0%
Transportation, Warehousing, and Utilities	2,400	2,400	0	0%	2,400	0	0%
Information	500	500	0	0%	500	0	0%
Financial Activities	1,500	1,500	0	0%	1,500	0	0%
Professional and Business Services	2,500	2,500	0	0%	2,600	100	4.0%
Educational ⁵ and Health Services	5,000	5,200	200	4.0%	5,300	100	1.9%
Health Care	3,700	3,900	200	5.4%	4,000	100	2.6%
Leisure and Hospitality	4,100	4,200	100	2.4%	4,300	100	2.4%
Other Services	1,300	1,300	0	0%	1,300	0	0%
Government	12,200	12,000	-200	-1.6%	12,000	0	0%
Federal ⁶	3,400	3,300	-100	-2.9%	3,200	-100	-3.0%
State ⁷	5,400	5,400	0	0%	5,400	0	0%
Local ⁸	3,400	3,300	-100	-2.9%	3,400	100	3.0%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Goods-producing sectors include natural resources and mining, construction, and manufacturing.

⁴Service-providing sectors include all others not listed as goods-producing sectors.

⁵Private education only

⁶Excludes uniformed military

⁷Includes the University of Alaska

⁸Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Private sector gives a continuing boost to Southeast

By MALI ABRAHAMSON
Economist

The private sector produced 500 new jobs in Southeast in 2012, with a diverse set of industries contributing — much more diverse than in 2011, when gains were exclusively in mining, seafood processing, health care, and professional services.

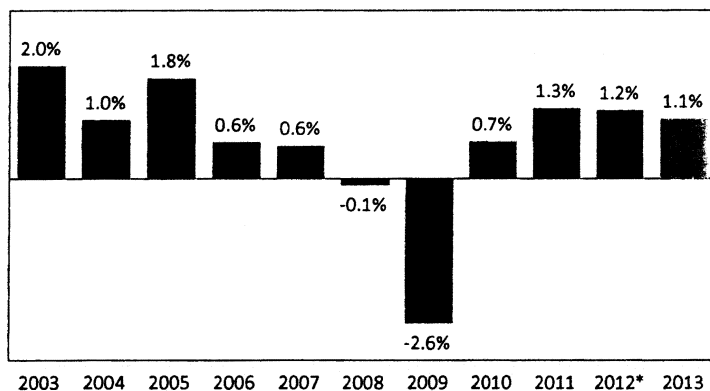
In 2012, transportation, leisure and hospitality, and construction also grew, which hints at continued economic improvement in 2013 as businesses prepare for higher visitor numbers. About 400 new jobs are forecasted for Southeast in 2013, or about 1.1 percent growth.

Population changes and new jobs

Population growth in Southeast lagged behind the state and the nation for most of the 2000s, but that changed near the end of the decade — the most recent estimates from 2010 and 2011 show significant increases.

More than half of the population growth in recent years was in Juneau, which also gained the most jobs. However, employment grew in eight of 10 Southeast boroughs and census areas in 2012. (See Exhibit 2.)

1 Employment Continues 3-Year Rise Southeast, 2002 to 2013



*Preliminary
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



Job seekers from the Lower 48 headed north during the recession, which ended in 2009, boosting the population in Southeast as well as statewide. The region's projected population growth through 2015 is less than 1 percent, though, because of its low rate of natural increase (births minus deaths).

Low natural increase and an older population are typical of Southeast, which has more residents over age 65 than any other region of Alaska and a median age of 39.4 — significantly older than the statewide median of 33.8.

Southeast's workforce is also older, with 34 percent of resident workers over age 50, in contrast to 29 percent statewide. The disparity is even larger among the industries the area relies on for year-round jobs. For example, in local and state government, over 36 percent of workers are older than 50, compared to 23 percent statewide.

Given the aging of the labor force and high expected turnover in positions filled by older, highly paid workers, the outlook in the near future and long term both strongly depend on migration and the ability to attract replacement workers.

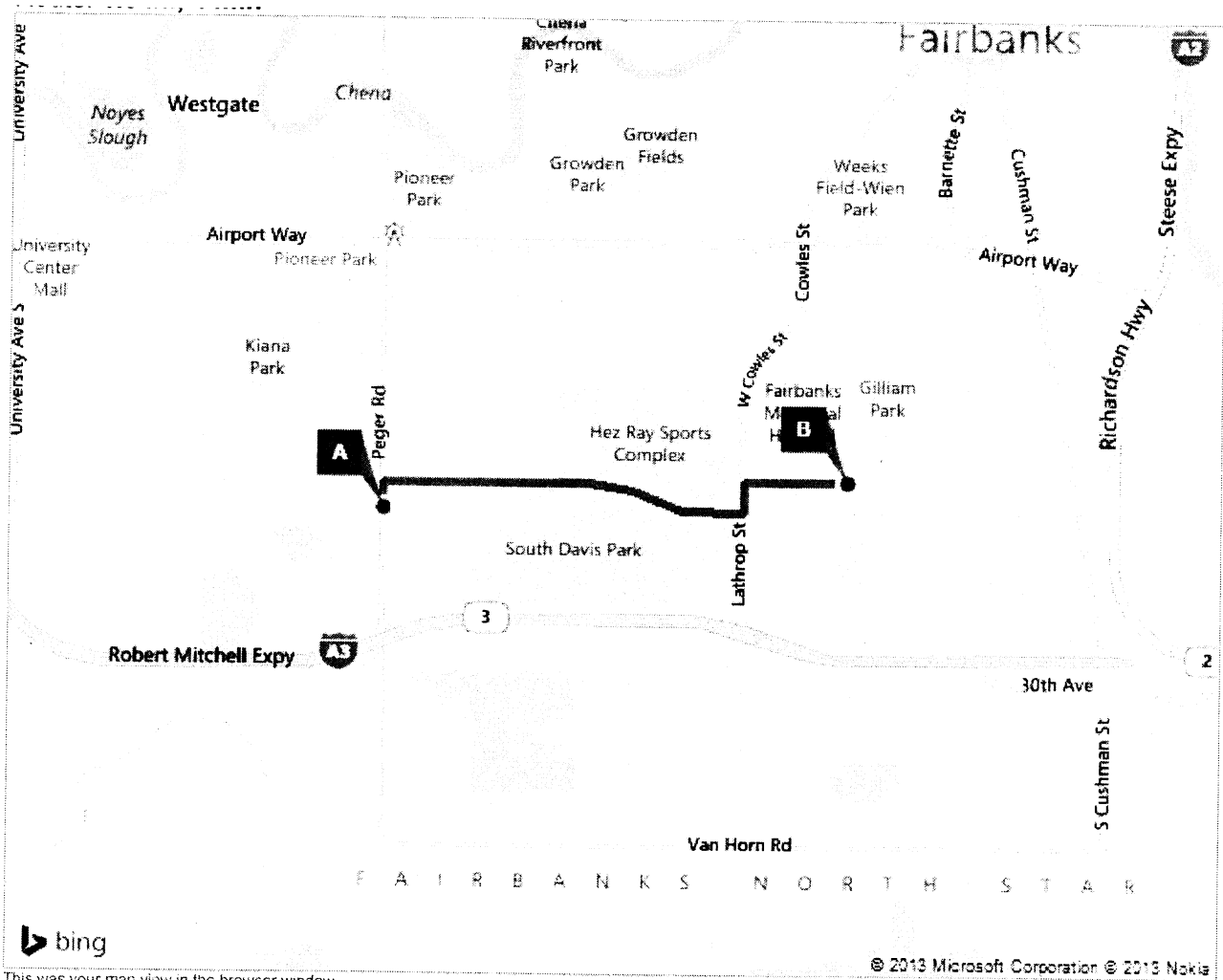
Government to lose minor ground

Government, which represents about 37 percent of jobs in Southeast (see Exhibit 3) is expected to lose 50 jobs in 2013, as it did in 2012. The losses in 2012 were in local government, but in 2013 they'll likely be federal. Federal employment in Southeast has declined by roughly 50 jobs each year since 2005.

Local government has had a more complicated few years, with 2011 stable in most areas except the typically volatile tribal governments, which shrank abruptly while other school districts and municipalities maintained a predictable pace.

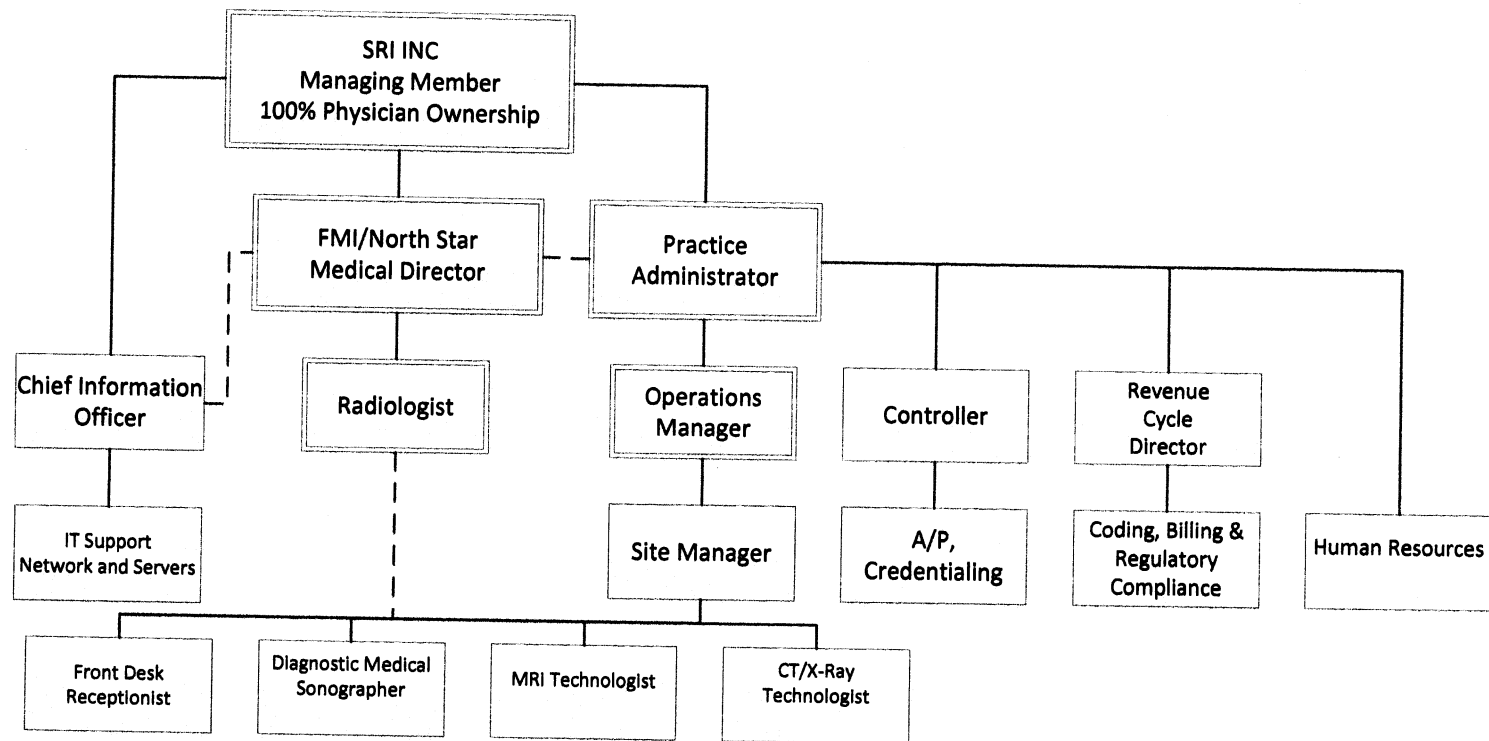
In 2012, schools cut back while tribal government employment rebounded, for a net loss of only 50

Map



A: 2310 Peger Rd, Fairbanks, AK 99709

Organizational Chart and Job Descriptions





Position Description

Title: MRI Technologist

Reports to: Radiologist/Partner with Dotted Line to Clinic Operations Manager

Supervises: N/A

FLSA Status: Non-Exempt

Who We Are:

Skagit Radiology Inc. P.S. is dedicated to providing patients and physicians with advanced, sub-specialized expertise and the highest levels of excellence in radiological services. Our staff incorporates the latest technology in medical imaging and image-guided therapy into cost-effective clinical practice. We actively maintain a leadership role in providing these services to the medical community and collaborate with other health care providers to continuously improve patient care. Our shared values include mutual respect, teamwork, superior service, professionalism and confidentiality.

Job Summary:

Under general supervision, assists radiologists in performing MRI exams and interventional procedures. Performs all requested MRI examinations. Provides procedure-related patient care and education. Maintains records and documentation of procedures. Enforces magnetic field safety for MRI patients, operators, staff and visitors

Specific Responsibilities:

- Performs MRI imaging procedures on appropriate anatomical regions in accordance with accepted standards of practice and protocols of the individual site Radiologist
- Completes and signs patient screening forms and explains the procedure to the patient.
- Obtains necessary consent from patients before conducting procedure
- Maintains patient care, comfort and safety during exams
- Under the guidance and approval of site Radiologist, administers contrast agents according to site specific needs
- After completed exam makes sure images and documentation are put on PACS in a timely manner
- Communicates with front desk staff of any changes that may alter the flow of the patient schedule
- Performs equipment quality checks and troubleshoots problems; Calls for service and notifies appropriate management
- Enforces magnetic field safety for MRI patients, operators, staff and visitors
- Maintains equipment service manual, delivery schedule and all related statistics
- Maintains and clean all equipment in accordance with decontamination procedures
- Performs other tasks assigned by radiologists and management

Required Education & Experience:

- High School diploma or GED
- Successful completion of a CHEA (Council for Higher Education Accreditation) or USDOE (United States Department of Education) recognized ultrasound program
- Current ARRT certification
- Current CPR certification for healthcare providers
- Minimum 1 year clinical ultrasound experience
- MRI scanning experience

Required Knowledge, Skills & Abilities:

- Detailed knowledge of current MRI scanning procedures
- Working knowledge of current MRI protocols
- Proficient in:
 - PACS and Meditech
 - Microsoft Office Suite applications
 - Accessing and navigating company intranet for forms, policies and procedures
 - Accessing and entering data on organization wide software
 - Accessing and using internet resources where required in order to perform job duties
- Excellent communication skills
- Ability to communicate findings to reading Radiologists and interact in a positive and professional manner with patients and their family members
- Ability to establish and maintain effective relationships with physicians, co-workers, patients and their families
- Ability to scan for up 8 hours in a day



Position Description

Title: CT Technologist

Reports to: Radiologist/Partner with Dotted Line to Clinic Operations Manager

Supervises: N/A

FLSA Status: Non-Exempt

Who We Are:

Skagit Radiology Inc. P.S. is dedicated to providing patients and physicians with advanced, sub-specialized expertise and the highest levels of excellence in radiological services. Our staff incorporates the latest technology in medical imaging and image-guided therapy into cost-effective clinical practice. We actively maintain a leadership role in providing these services to the medical community and collaborate with other health care providers to continuously improve patient care. Our shared values include mutual respect, teamwork, superior service, professionalism and confidentiality.

Job Summary:

Under general supervision, assists radiologists in performing CT and X-Ray exams and interventional procedures. Performs all requested CT and X-Ray examinations. Provides procedure-related patient care and education. Maintains records and documentation of procedures.

Specific Responsibilities:

- Performs CT imaging procedures on appropriate anatomical regions in accordance with accepted standards of practice and protocols of the individual site Radiologist
- Produces x-ray images as ordered by referring physicians for use in diagnosing medical problems
- Provides proper radiation protection for patient and staff
- Explains and reviews the referring physician's order and what images will be done with the patient
- Positions patients so that the parts of the body can be appropriately radiographed
- Adjusts controls on the x-ray machine to produce radiographs of the appropriate density, detail, and contrast of the body part
- Sets up examination room, ensuring that all necessary equipment and supplies are ready for the exam
- Completes and signs patient screening forms and explains the procedure to the patient.
- Obtains necessary consent from patients before conducting procedure
- Maintains patient care, comfort and safety during exams
- Under the guidance and approval of site Radiologist, administers contrast agents according to site specific needs

Specific Responsibilities (Cont'd.):

- After completed exam makes sure images and documentation are put on PACS in a timely manner
- Communicates with front desk staff of any changes that may alter the flow of the patient schedule
- Performs equipment quality checks and troubleshoots problems; Calls for service and notifies appropriate management
- Maintains equipment service manual, delivery schedule and all related statistics
- Maintains and clean all equipment in accordance with decontamination procedures
- Performs other tasks assigned by radiologists and management

Required Education & Experience:

- High School diploma or GED
- Current ARRT certification
- Current CPR certification for healthcare providers
- CT scanning and X-Ray experience

Required Knowledge, Skills & Abilities:

- Detailed knowledge of current CT scanning and X-Ray procedures
- Working knowledge of current CT and X-Ray protocols
- Proficient in:
 - PACS and Meditech
 - Microsoft Office Suite applications
 - Accessing and navigating company intranet for forms, policies and procedures
 - Accessing and entering data on organization wide software
 - Accessing and using internet resources where required in order to perform job duties
- Excellent communication skills
- Ability to communicate findings to reading Radiologists and interact in a positive and professional manner with patients and their family members
- Ability to establish and maintain effective relationships with physicians, co-workers, patients and their families
- Ability to scan for up 8 hours in a day



Position Description

Title: Diagnostic Medical Sonographer

Reports to: Radiologist/Partner with Dotted Line to Clinic Operations Manager

Supervises: N/A

FLSA Status: Non-Exempt

Who We Are:

Fairbanks Medical Imaging, Inc., dba North Star Radiology is dedicated to providing patients and physicians with advanced, sub-specialized expertise and the highest levels of excellence in radiological services. Our staff incorporates the latest technology in medical imaging and image-guided therapy into cost-effective clinical practice. We actively maintain a leadership role in providing these services to the medical community and collaborate with other health care providers to continuously improve patient care. Our shared values include mutual respect, teamwork, superior service, professionalism and confidentiality.

Job Summary:

Under general supervision, assists radiologists in performing Diagnostic ultrasound exams and interventional procedures. Performs all requested sonographic examinations. Provides procedure-related patient care and education. Maintains records and documentation of procedures.

Specific Responsibilities:

- Performs all requested sonographic examinations as ordered by the attending physician using independent judgment to accurately differentiate between normal and pathologic findings
- Prepares preliminary reports and contacts referring physicians when needed
- Greet patients in a professional and courteous manner
- Assumes responsibility for the safety, mental and physical comfort of patients while they are in the sonographer's care
- Ensures patient schedule is being followed efficiently, while still performing optimal customer service
- Communicates with front desk staff of any changes that may alter the flow of the patient schedule
- Establishes and maintains ethical working relationships and good rapport with the referring provider community
- Assists with the daily operations of the ultrasound department
- Maintains ultrasound equipment and work area with attention to cleanliness
- Inventories supplies and assists in ordering them in a timely manner
- Performs other tasks assigned by radiologists and management

Education & Experience:

- High School diploma or GED required
- Successful completion of a CHEA (Council for Higher Education Accreditation) or USDOE (United States Department of Education) recognized ultrasound program required
- Current ARDMS with certification in at least one of the following areas: AB, OB, VT
- Current CPR certification for healthcare providers required.
- Minimum 1 year clinical ultrasound experience required
- Vascular and breast ultrasound experience required

Required Knowledge, Skills & Abilities:

- Detailed knowledge of current vascular ultrasound scanning procedures
- Current Venous Insufficiency experience strongly recommended
- Working knowledge of current vascular ultrasound protocols
- Proficient in:
 - PACS and Meditech
 - Microsoft Office Suite applications
 - Accessing and navigating company intranet for forms, policies and procedures
 - Accessing and entering data on organization wide software
 - Accessing and using internet resources where required in order to perform job duties
- Excellent communication skills
- Ability to communicate findings to reading Radiologists and interact in a positive and professional manner with patients and their family members
- Ability to establish and maintain effective relationships with physicians, co-workers, patients and their families
- Ability to scan for up 8 hours in a day



Position Description

Title: Front Desk Receptionist

Reports to: Radiologist/Partner with Dotted Line to Clinic Operations Manager

Supervises: N/A

FLSA Status: Non-Exempt

Who We Are:

Fairbanks Medical Imaging, Inc., dba North Star Radiology is dedicated to providing patients and physicians with advanced, sub-specialized expertise and the highest levels of excellence in radiological services. Our staff incorporates the latest technology in medical imaging and image-guided therapy into cost-effective clinical practice. We actively maintain a leadership role in providing these services to the medical community and collaborate with other health care providers to continuously improve patient care. Our shared values include mutual respect, teamwork, superior service, professionalism and confidentiality.

Job Summary:

Under general supervision, provides reception services at the Front Desk.

Specific Responsibilities:

- Monitors patient check-in flow
- Communicates with clinical staff and patients to improve wait time for the patients
- Assures that the patient registration is complete and accurate using the Radiology Information System and PACS
- This includes: capturing patient demographics, referring physician and insurance; making sure that insurance cards are copied/scanned clearly; making sure all paperwork is then distributed correctly, and in a timely manner
- Schedules patient appointments
- Answers phones and takes messages, or forwards call to the correct personnel
- Organizes and prepares billing paperwork/documentation daily to send to the Billing Office
- Consistently provides high level customer service
- Assists technologist staff as needed
- Makes reminder calls to the next day's patients
- Keeps lobby and coffee service clean and organized
- Performs opening and closing clinic office duties
- Performs other tasks as assigned by management and radiologists

Education & Experience:

- High School Diploma or GED preferred
- 2+ years' experience performing receptionist duties required
- Experience in medical practice environment preferred

Required Knowledge, Skills & Abilities:

- Excellent customer service skills
- High level of professionalism
- Proficiency in Microsoft Office Suite applications
- Ability to learn new software programs
- Excellent written and verbal communication skills to coordinate with patients, employees and management personnel throughout the company
- Well organized
- Ability to self-manage deadlines
- Reliable, proactive team player
- Ability to confidently interact with patients, vendors, physicians and employees
- Ability to maintain highest levels of confidentiality
- Strong attention to detail and accuracy
- Good time management skills
- Ability to lift up to 20 pounds
- Ability to sit and keyboard/talk on the phone for extended periods of time
- Daily local travel to bank, post office, hospital and referring providers' offices

CT Scan
Lease paperwork from Siemens



Siemens Financial Services, Inc.
LEASING SCHEDULE #: 21197-21268
(Healthcare)

LESSOR: SIEMENS FINANCIAL SERVICES, INC.
170 Wood Avenue South
Iselin, NJ 08830
(800) 327-4443

LESSEE: Fairbanks Medical Imaging, LLC
(Exact Legal Name: herein "Lessee")
125 N. 18th Street, Suite C
(Address)
Mount Vernon, WA 98273-3902
(City, State, Zip)

LEASING SCHEDULE # 21197-21268 (herein also referred to as the "Leasing Schedule" or "Lease"), to that certain Master Equipment Lease Agreement dated August 22, 2011 (herein "Agreement"), between Lessor and Lessee.

1. **EQUIPMENT DESCRIPTION:** 1 SOMATOM Emotion 16-slice Configuration and all equipment related thereto as described in Supplier's Quote # 1-2510HK
2. **TOTAL EQUIPMENT COST:** \$340,000.00
3. **SUPPLIER:** Siemens Medical Solutions USA, Inc.
4. **LEASE TERM** (in months): 63
(plus any Interim Period, if applicable)
5. **COMMENCEMENT DATE:** The date of Equipment acceptance as set forth in a delivery and acceptance certificate, delivered to Lessor, in the form supplied by Lessor.
6. **NUMBER OF LEASE PAYMENTS:** 63
7. **LEASE PAYMENT** (per payment period): #1-3 @ \$1,311.83; #4-63 @ \$6,334.01
Base Rate: 1.88000%
Reference Rate: Yield of the 5 Year Swap Rate
Base Rate Determination Date: December 07, 2010
Reference Rate Source: Federal Statistical Release H.15
Payable:
☒ In Advance – First Lease Payment due on the Commencement Date, or if Interim Rent is applicable, the first day immediately following the Interim Period.
8. **PAYMENT PERIOD:** Monthly
9. (a) **ADVANCE LEASE PAYMENT(S):** #4; TOTALING \$6,334.01
9. (b) **DOCUMENTATION FEE:** \$0.00 due on invoice
10. (a) **EQUIPMENT LOCATION** (if different from Lessee's address above): 2310 Peger Road, Fairbanks, AK 99709-5315
10. (b) **LESSEE'S STATE OF INCORPORATION/ORGANIZATION:** WA
11. **INTERIM RENT APPLICABLE:** ☐ YES ☒ NO
AMOUNT: \$0.00
12. **PURCHASE OPTION:** Lessee selects the following option (which shall be irrevocable by Lessee once exercised):
OPTION A ☐ a Fair Market Value Purchase Option.
OPTION B ☐ a Fixed Purchase Option at a Purchase Option Price of % of the Total Equipment Cost.
OPTION C ☒ a Nominal Fixed Purchase Option at a Purchase Option Price of \$1.00.

THE TERMS AND CONDITIONS OF THE FOREGOING OPTIONS AND OTHER IMPORTANT PROVISIONS ARE SET FORTH ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed the Lease as of the dates set forth below. For all purposes hereof, the date of the Lease shall be the date of Lessor's acceptance as set forth below. **LESSEE ACKNOWLEDGES THAT NEITHER LESSOR NOR THE SUPPLIER IS AN AGENT OR REPRESENTATIVE OF THE OTHER AND NEITHER HAS AUTHORITY TO BIND THE OTHER.**

ACCEPTED BY:

LESSOR: SIEMENS FINANCIAL SERVICES, INC.

BY: Melissa L. Talarney
NAME: Melissa L. Talarney
TITLE: Booking/Commencement Manager
BY: Michelle Morley
NAME: Michelle Morley
TITLE: Team Leader
DATE: 10-12-11

BY EXECUTION HEREOF, THE SIGNER CERTIFIES THAT (S)HE HAS READ THE ENTIRE LEASE, THAT LESSOR OR ITS REPRESENTATIVES HAVE MADE NO AGREEMENTS OR REPRESENTATIONS EXCEPT AS SET FORTH HEREIN, OR IN THE AGREEMENT, AND THAT (S)HE IS DULY AUTHORIZED TO EXECUTE THE LEASE ON BEHALF OF LESSEE.

LESSEE: Fairbanks Medical Imaging, LLC
By its Sole Member, Skagit Radiology, Inc. P.S.
BY: Karen Dec
NAME: Karen Dec
TITLE: President
DATE: 8/25/11

OPTION A - FAIR MARKET VALUE PURCHASE OPTION: If Option A has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for its "Fair Market Value". Fair Market Value shall mean the value of the Equipment (on an installed and operating basis) which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) under no compulsion to buy, and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Fair Market Value shall be determined by the mutual agreement of Lessor and Lessee in accordance with the preceding sentence. If Lessor and Lessee cannot agree, Fair Market Value shall be determined by a qualified independent equipment appraiser selected by Lessor and approved by Lessee, and Lessee shall pay the cost of appraisal. Provided Lessee has timely exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION B - FIXED PURCHASE OPTION: If Option B has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for the amount specified in Option B. Provided Lessee has exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION C - NOMINAL FIXED PURCHASE OPTION: If Option C has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee may purchase all but not less than all of the Equipment at the end of the (original) Lease Term for the nominal purchase price specified in Option C. Lessee shall pay to Lessor on the day following the last day of such Lease Term such purchase price together with all sales and other taxes applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

13. LEASE PAYMENTS; ADJUSTMENTS: Lessee acknowledges that the Lease Payments herein, are based upon the Total Equipment Cost set forth above, and as a result of authorized changes to the Equipment, the final Total Equipment Cost may increase or decrease by up to 10%. In such event, the Lease Payments shall be adjusted accordingly, and Lessee authorizes Lessor to correct the Lease (and all related documentation) to reflect such changes, and Lessee, if requested by Lessor, shall confirm such changes to Lessor in writing. The Lease Payments specified in the foregoing Section 7 are based upon the Base Rate, which is the Reference Rate as reported in the Reference Rate Source for the Base Rate Determination Date (in each case as specified in Section 7). The rate that will actually be used in establishing the Lease Payments will be increased by one (1) basis point for each one (1) basis point increase in the Reference Rate, as determined by Lessor and as reported in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date (or if no Reference Rate has been published in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date, then the immediately preceding date for which a Reference Rate has been reported). Lessee acknowledges that Lessor may access the Reference Rate Source through whichever medium Lessor deems appropriate, including, without limitation, print or online editions. Lessee authorizes Lessor to unilaterally make the appropriate changes to the Lease (and all related documentation) to reflect any changes to the Lease Payments consistent with the foregoing and, if requested by Lessor, Lessee shall confirm such changes to Lessor in writing.

14. SUPPLY CONTRACT: Lessee acknowledges either that (a) Lessee has reviewed and approved any written purchase agreement or purchase order covering the Equipment ("Supply Contract") purchased from Supplier, or (b) Lessor has informed or advised Lessee, in writing, either previously or by the Lease, of the following: (i) the identity of the Supplier, (ii) that Lessee may have rights under the Supply Contract, and (iii) that Lessee may contact the Supplier for a description of any such rights Lessee may have under the Supply Contract. If Lessee has entered into a written Supply Contract, then Lessee hereby assigns to Lessor all of Lessee's rights and interests in and to the Equipment and the Supply Contract. If requested by Lessor, Lessee shall obtain any consent required for such assignment. If Lessee has not entered into any such Supply Contract, Lessee authorizes Lessor to (and Lessor may at its option) act on behalf of Lessee to obtain a Supply Contract from Supplier. Lessor's sole obligation under the Supply Contract shall be to pay the Supplier for the Equipment, if (and only if) the Equipment is accepted by Lessee under the Lease, and Lessee, not Lessor, shall at all times remain liable to perform all of the duties and obligations under the Supply Contract. Lessee hereby represents and warrants that: (a) Lessee has delivered herewith a true and correct copy of the Supply Contract; (b) neither Supplier nor Lessee is in default under the Supply Contract; (c) the Supply Contract shall not be amended without Lessor's prior written consent; and (d) the Supply Contract is free from all claims, security interests, liens and encumbrances, except for the interest being conveyed hereunder. Lessee shall indemnify and hold Lessor (and its assigns) harmless with respect to any and all claims relating to the performance of Lessee's obligations under the Supply Contract.

15. MISCELLANEOUS: Lessor and Lessee agree that the terms and conditions of the Agreement are hereby incorporated into this Leasing Schedule to the same extent as if such terms and conditions were set forth in full herein. **THIS LEASING SCHEDULE (AS INCORPORATING THE TERMS OF THE AGREEMENT), TOGETHER WITH ANY APPLICABLE STIPULATED LOSS VALUE SCHEDULE, CONTAIN THE COMPLETE AGREEMENT OF THE PARTIES WITH RESPECT TO ITS SUBJECT MATTER AND SUPERSEDE AND REPLACE ANY PREVIOUSLY MADE PROPOSALS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS.** Capitalized terms used herein, which are not otherwise defined herein, shall have the same meanings as set forth in the Agreement. **LESSOR AND LESSEE AGREE THAT ALL ACTIONS OR PROCEEDINGS RELATING DIRECTLY OR INDIRECTLY TO THE LEASE AND THE TRANSACTION CONTEMPLATED HEREBY MAY BE LITIGATED IN THE FEDERAL, STATE OR LOCAL COURTS SITTING IN OR FOR THE COUNTY OF MIDDLESEX, NEW JERSEY, AND HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS.** Lessor and Lessee acknowledge that such courts are convenient forums and waive any defense based upon doctrines of venue or forum non-conveniens or similar rules or doctrines. Lessee consents to service of process by certified mail or by overnight delivery by a nationally recognized courier at its address above (or to such other address as Lessee shall have designated by proper notice) in connection with any legal action brought by Lessor. Any amendments contained or incorporated into this Leasing Schedule, which in any way alter the terms of the Agreement, shall be effective only with respect to this Leasing Schedule and shall be ineffective with respect to any other Leasing Schedule. The Lease shall become effective at the time of Lessor's acceptance (by execution hereof) at its corporate offices, by an authorized representative of Lessor. Whenever Lessee is required to pay the applicable Stipulated Loss Value hereunder with respect to all or any portion of the Equipment, upon payment of such amount by Lessee and satisfaction of all other obligations of Lessee under the Lease (and satisfaction of all other obligations secured by such Equipment under any Leasing Schedule or any other agreement), Lessor shall transfer its interest in such Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge. In the event the Lease is deemed to be a security agreement, (i) Lessee hereby grants to Lessor and Lessor shall have, to secure all payments and all other obligations of Lessee to Lessor under the Lease, a security interest in the Equipment together with all accessions, attachments, replacements, substitutions, modifications and additions thereto, now or hereafter acquired, and all Proceeds (as defined in the applicable Uniform Commercial Code) thereof (including insurance proceeds), and (ii) notwithstanding any applicable state laws to the contrary, Lessee agrees to reimburse Lessor for all reasonable attorneys' fees incurred by it incident to any action or proceeding involving the Lessee brought pursuant to the Bankruptcy Code, as amended, which are allowable under Section 506(b) thereof.



Siemens Financial Services, Inc.
DELIVERY AND ACCEPTANCE CERTIFICATE

Siemens Financial Services, Inc. ("Lessor")

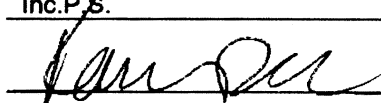
170 Wood Avenue South
Iselin, NJ 08830

Leasing Schedule #: 21197-21268 (the "Lease")

Equipment Description: 1 SOMATOM Emotion 16-slice Configuration and all equipment related thereto as described in Supplier's Quote # 1-251OHK

The undersigned hereby certifies that all of the above described (or as described on the attached Schedule A) items of equipment (collectively "Equipment"), to be leased to the undersigned pursuant to the above identified Lease between Lessor and the undersigned, have been delivered, that installation has been fully completed as required, and that the Equipment is unconditionally accepted by us as satisfactory in all respects.

In view of the above, the undersigned hereby irrevocably authorizes Lessor to pay for the Equipment in accordance with the terms of any applicable purchase order(s) for the same.

Customer Name:	Fairbanks Medical Imaging, LLC By its Sole Member, Skagit Radiology, Inc. P.S.
Authorized Signature:	
Printed or Typed Name:	Karen Dec
Title:	President
Date of Equipment Acceptance:	10/21/11

Equipment

X-ray loan

MRI Siemens Financial (routine replacement of equipment)

Clinical Equipment AHA Life

Fairbanks Medical Imaging

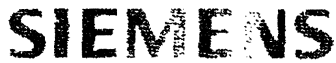
10/15/2013 3:45 PM

Register: 21000 · Bz Bk - Equipment Loan - X-Ray

From 01/01/2011 through 10/15/2013

Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Increase	C	Decrease	Balance
05/18/2011	DEP	DEPOSIT	10000 · Fairbanks - W...		95,450.00			95,450.00
06/06/2011	1204	Business Bank of Sk...	10000 · Fairbanks - W...	JUN PRIN			1,547.29	93,902.71
07/01/2011	1238	Business Bank of Sk...	10000 · Fairbanks - W...	Jul 2011 prin			1,380.04	92,522.67
08/03/2011	1305	Business Bank of Sk...	10000 · Fairbanks - W...	Aug 11 prin			1,356.18	91,166.49
08/25/2011	1900607...	Business Bank of Sk...	20001 · Accounts Paya...	Sept. 2011 Prin...			1,348.39	89,818.10
10/04/2011	1440	Business Bank of Sk...	10000 · Fairbanks - W...	Loan Payment/...			1,849.55	87,968.55
11/01/2011	1472	Business Bank of Sk...	10000 · Fairbanks - W...	Nov 2011 pay...			1,849.55	86,119.00
12/01/2011	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	dec			1,849.55	84,269.45
12/31/2011	8		63400 · Interest Expense	To adjust intere...			215.89	84,053.56
01/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	JAN 2012 PAY...			1,406.45	82,647.11
01/01/2012	PLP ADJ...		63400 · Interest Expense	To adjust loan ...	1,707.48			84,354.59
01/05/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	JAN 2012 PRIN		X		84,354.59
02/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	FEB 2012 PAY...			1,413.72	82,940.87
03/02/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	MAR 2012			1,448.67	81,492.20
04/02/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	APR 2012			1,428.51	80,063.69
05/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	MAY 12 prin			1,449.23	78,614.46
06/06/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	JUNE 12 PRIN			1,443.38	77,171.08
07/02/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	JUL PRIN			1,463.69	75,707.39
08/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	AUG PRIN			1,458.40	74,248.99
09/06/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	SEP 12 PRIN			1,405.76	72,843.23
10/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,414.64	71,428.59
11/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,423.49	70,005.10
12/01/2012	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,443.98	68,561.12
12/31/2012	plpadj		63400 · Interest Expense	to adjust loan b...			477.79	68,083.33
01/04/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,423.49	66,659.84
02/01/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,439.37	65,220.47
03/01/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,491.94	63,728.53
04/01/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...				1,491.94	62,236.59
04/29/2013		Business Bank of Sk...	10000 · Fairbanks - W...				1,491.94	60,744.65
05/29/2013		Business Bank of Sk...	10000 · Fairbanks - W...				1,818.36	58,926.29
06/27/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	JULY 13 PRIN...			1,496.36	57,429.93
06/28/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	Principal			1,487.07	55,942.86
07/30/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	AUG 2013 XR...			1,505.63	54,437.23
08/06/2013	JMTAJE		63400 · Interest Expense	To adjust loan ...	1,377.61			55,814.84
08/30/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	SEP 2013 XRA...			1,514.95	54,299.89
09/30/2013	ACH	Business Bank of Sk...	10000 · Fairbanks - W...	SEP 2013 XRA...			1,515.39	52,784.50



Siemens Financial Services, Inc.
LEASING SCHEDULE #: 21196-21267
(Healthcare)

LESSOR: SIEMENS FINANCIAL SERVICES, INC.
170 Wood Avenue South
Iselin, NJ 08830
(800) 327-4443

LESSEE: Fairbanks Medical Imaging, LLC
(Exact Legal Name, herein "Lessee")
125 N. 18th Street, Suite C
(Address)
Mount Vernon, WA 98723-3902
(City, State, Zip)

LEASING SCHEDULE # 21196-21267 (herein also referred to as the "Leasing Schedule" or "Lease"), to that certain Master Equipment Lease Agreement dated August 22, 2011 (herein "Agreement"), between Lessor and Lessee.

1. **EQUIPMENT DESCRIPTION:** 1 MAGNETOM Verio-system and all equipment related thereto as described in Supplier's Quote # 1-24X06L
2. **TOTAL EQUIPMENT COST:** \$1,632,585.00
3. **SUPPLIER:** Siemens Medical Solutions USA, Inc.
4. **LEASE TERM** (in months): 63
(plus any Interim Period, if applicable)
5. **COMMENCEMENT DATE:** The date of Equipment acceptance as set forth in a delivery and acceptance certificate, delivered to Lessor, in the form supplied by Lessor.
6. **NUMBER OF LEASE PAYMENTS:** 63
7. **LEASE PAYMENT** (per payment period): #1-3 @ \$6,299.06; #4-63 @ \$30,414.18
Base Rate: 1.880000%
Reference Rate: Yield of the 5 Year Swap Rate
Base Rate Determination Date: December 07, 2010
Reference Rate Source: Federal Statistical Release H.15
Payable:
☒ **In Advance** - First Lease Payment due on the Commencement Date, or if Interim Rent is applicable, the first day immediately following the Interim Period.
8. **PAYMENT PERIOD:** Monthly
9. (a) **ADVANCE LEASE PAYMENT(S):** #4; TOTALING \$30,414.18
9. (b) **DOCUMENTATION FEE:** \$0.00 due on invoice
10. (a) **EQUIPMENT LOCATION** (if different from Lessee's address above): 2310 Peger Road, Fairbanks, AK 99709-5315
10. (b) **LESSEE'S STATE OF INCORPORATION/ORGANIZATION:** Washington
11. **INTERIM RENT APPLICABLE:** ☐ YES ☒ NO
AMOUNT: \$0.00
12. **PURCHASE OPTION:** Lessee selects the following option (which shall be irrevocable by Lessee once exercised):
OPTION A ☐ a Fair Market Value Purchase Option.
OPTION B ☐ a Fixed Purchase Option at a Purchase Option Price of % of the Total Equipment Cost.
OPTION C ☒ a Nominal Fixed Purchase Option at a Purchase Option Price of \$1.00.

THE TERMS AND CONDITIONS OF THE FOREGOING OPTIONS AND OTHER IMPORTANT PROVISIONS ARE SET FORTH ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed the Lease as of the dates set forth below. For all purposes hereof, the date of the Lease shall be the date of Lessor's acceptance as set forth below. **LESSEE ACKNOWLEDGES THAT NEITHER LESSOR NOR THE SUPPLIER IS AN AGENT OR REPRESENTATIVE OF THE OTHER AND NEITHER HAS AUTHORITY TO BIND THE OTHER.**

ACCEPTED BY:

LESSOR: SIEMENS FINANCIAL SERVICES, INC.

BY: Melissa L. Tallamy
(Authorized Signature)
NAME: **Melissa L. Tallamy**
TITLE: **Booking/Commencement Manager**
BY: Michelle Monsey
(Authorized Signature)
NAME: **Michelle Monsey**
TITLE: **Team Leader**
DATE: **10-12-11**

BY EXECUTION HEREOF, THE SIGNER CERTIFIES THAT (S)HE HAS READ THE ENTIRE LEASE, THAT LESSOR OR ITS REPRESENTATIVES HAVE MADE NO AGREEMENTS OR REPRESENTATIONS EXCEPT AS SET FORTH HEREIN, OR IN THE AGREEMENT, AND THAT (S)HE IS DULY AUTHORIZED TO EXECUTE THE LEASE ON BEHALF OF LESSEE.

LESSEE: Fairbanks Medical Imaging, LLC
By its Sole Member, Skagit Radiology, Inc. P.S.

BY: Karen Dec
(Authorized Signature)
NAME: **Karen Dec**
(Printed or Typed)
TITLE: **President**
(Printed or Typed)
DATE: **8/25/11**

OPTION A - FAIR MARKET VALUE PURCHASE OPTION: If Option A has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for its "Fair Market Value". Fair Market Value shall mean the value of the Equipment (on an installed and operating basis) which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) under no compulsion to buy, and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Fair Market Value shall be determined by the mutual agreement of Lessor and Lessee in accordance with the preceding sentence. If Lessor and Lessee cannot agree, Fair Market Value shall be determined by a qualified independent equipment appraiser selected by Lessor and approved by Lessee, and Lessee shall pay the cost of appraisal. Provided Lessee has timely exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an AS-IS, WHERE-IS basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION B - FIXED PURCHASE OPTION: If Option B has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for the amount specified in Option B. Provided Lessee has exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an AS-IS, WHERE-IS basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION C - NOMINAL FIXED PURCHASE OPTION: If Option C has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee may purchase all but not less than all of the Equipment at the end of the (original) Lease Term for the nominal purchase price specified in Option C. Lessee shall pay to Lessor on the day following the last day of such Lease Term such purchase price together with all sales and other taxes applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an AS-IS, WHERE-IS basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

13. LEASE PAYMENTS; ADJUSTMENTS: Lessee acknowledges that the Lease Payments herein, are based upon the Total Equipment Cost set forth above, and as a result of authorized changes to the Equipment, the final Total Equipment Cost may increase or decrease by up to 10%. In such event, the Lease Payments shall be adjusted accordingly, and Lessee authorizes Lessor to correct the Lease (and all related documentation) to reflect such changes, and Lessee, if requested by Lessor, shall confirm such changes to Lessor in writing. The Lease Payments specified in the foregoing Section 7 are based upon the Base Rate, which is the Reference Rate as reported in the Reference Rate Source for the Base Rate Determination Date (in each case as specified in Section 7). The rate that will actually be used in establishing the Lease Payments will be increased by one (1) basis point for each one (1) basis point increase in the Reference Rate, as determined by Lessor and as reported in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date (or if no Reference Rate has been published in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date, then the immediately preceding date for which a Reference Rate has been reported). Lessee acknowledges that Lessor may access the Reference Rate Source through whichever medium Lessor deems appropriate, including, without limitation, print or online editions. Lessee authorizes Lessor to unilaterally make the appropriate changes to the Lease (and all related documentation) to reflect any changes to the Lease Payments consistent with the foregoing and, if requested by Lessor, Lessee shall confirm such changes to Lessor in writing.

14. SUPPLY CONTRACT: Lessee acknowledges either that (a) Lessee has reviewed and approved any written purchase agreement or purchase order covering the Equipment ("Supply Contract") purchased from Supplier, or (b) Lessor has informed or advised Lessee, in writing, either previously or by the Lease, of the following: (i) the identity of the Supplier, (ii) that Lessee may have rights under the Supply Contract, and (iii) that Lessee may contact the Supplier for a description of any such rights Lessee may have under the Supply Contract. If Lessee has entered into a written Supply Contract, then Lessee hereby assigns to Lessor all of Lessee's rights and interests in and to the Equipment and the Supply Contract. If requested by Lessor, Lessee shall obtain any consent required for such assignment. If Lessee has not entered into any such Supply Contract, Lessee authorizes Lessor to (and Lessor may at its option) act on behalf of Lessee to obtain a Supply Contract from Supplier. Lessor's sole obligation under the Supply Contract shall be to pay the Supplier for the Equipment, if (and only if) the Equipment is accepted by Lessee under the Lease, and Lessee, not Lessor, shall at all times remain liable to perform all of the duties and obligations under the Supply Contract. Lessee hereby represents and warrants that: (a) Lessee has delivered herewith a true and correct copy of the Supply Contract; (b) neither Supplier nor Lessee is in default under the Supply Contract; (c) the Supply Contract shall not be amended without Lessor's prior written consent; and (d) the Supply Contract is free from all claims, security interests, liens and encumbrances, except for the interest being conveyed hereunder. Lessee shall indemnify and hold Lessor (and its assigns) harmless with respect to any and all claims relating to the performance of Lessee's obligations under the Supply Contract.

15. MISCELLANEOUS: Lessor and Lessee agree that the terms and conditions of the Agreement are hereby incorporated into this Leasing Schedule to the same extent as if such terms and conditions were set forth in full herein. **THIS LEASING SCHEDULE (AS INCORPORATING THE TERMS OF THE AGREEMENT), TOGETHER WITH ANY APPLICABLE STIPULATED LOSS VALUE SCHEDULE, CONTAIN THE COMPLETE AGREEMENT OF THE PARTIES WITH RESPECT TO ITS SUBJECT MATTER AND SUPERSEDE AND REPLACE ANY PREVIOUSLY MADE PROPOSALS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS.** Capitalized terms used herein, which are not otherwise defined herein, shall have the same meanings as set forth in the Agreement. **LESSOR AND LESSEE AGREE THAT ALL ACTIONS OR PROCEEDINGS RELATING DIRECTLY OR INDIRECTLY TO THE LEASE AND THE TRANSACTION CONTEMPLATED HEREBY MAY BE LITIGATED IN THE FEDERAL, STATE OR LOCAL COURTS SITTING IN OR FOR THE COUNTY OF MIDDLESEX, NEW JERSEY, AND HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS.** Lessor and Lessee acknowledge that such courts are convenient forums and waive any defense based upon doctrines of venue or forum non-conveniens or similar rules or doctrines. Lessee consents to service of process by certified mail or by overnight delivery by a nationally recognized courier at its address above (or to such other address as Lessee shall have designated by proper notice) in connection with any legal action brought by Lessor. Any amendments contained or incorporated into this Leasing Schedule, which in any way alter the terms of the Agreement, shall be effective only with respect to this Leasing Schedule and shall be ineffective with respect to any other Leasing Schedule. The Lease shall become effective at the time of Lessor's acceptance (by execution hereof) at its corporate offices, by an authorized representative of Lessor. Whenever Lessee is required to pay the applicable Stipulated Loss Value hereunder with respect to all or any portion of the Equipment, upon payment of such amount by Lessee and satisfaction of all other obligations of Lessee under the Lease (and satisfaction of all other obligations secured by such Equipment under any Leasing Schedule or any other agreement), Lessor shall transfer its interest in such Equipment to Lessee without recourse, on an AS-IS, WHERE-IS basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge. In the event the Lease is deemed to be a security agreement, (i) Lessee hereby grants to Lessor and Lessor shall have, to secure all payments and all other obligations of Lessee to Lessor under the Lease, a security interest in the Equipment together with all accessions, attachments, replacements, substitutions, modifications and additions thereto, now or hereafter acquired, and all Proceeds (as defined in the applicable Uniform Commercial Code) thereof (including insurance proceeds), and (ii) notwithstanding any applicable state laws to the contrary, Lessee agrees to reimburse Lessor for all reasonable attorneys' fees incurred by it incident to any action or proceeding involving the Lessee brought pursuant to the Bankruptcy Code, as amended, which are allowable under Section 506(b) thereof.

SIEMENS

Siemens Financial Services, Inc.

LEASING SCHEDULE #: 21196-21267

(Healthcare)

LESSOR: SIEMENS FINANCIAL SERVICES, INC.
170 Wood Avenue South
Iselin, NJ 08830
(800) 327-4443

LESSEE: Fairbanks Medical Imaging, LLC
(Exact Legal Name; herein "Lessee")
125 N. 18th Street, Suite C
(Address)
Mount Vernon, WA 98723-3902
(City, State, Zip)

LEASING SCHEDULE # 21196-21267 (herein also referred to as the "Leasing Schedule" or "Lease"), to that certain Master Equipment Lease Agreement dated August 22, 2011 (herein "Agreement"), between Lessor and Lessee.

1. **EQUIPMENT DESCRIPTION:** 1 MAGNETOM Verio-system and all equipment related thereto as described in Supplier's Quote # 1-24X06L
2. **TOTAL EQUIPMENT COST:** \$1,632,585.00
3. **SUPPLIER:** Siemens Medical Solutions USA, Inc.
4. **LEASE TERM** (in months): 63
(plus any Interim Period, if applicable)
5. **COMMENCEMENT DATE:** The date of Equipment acceptance as set forth in a delivery and acceptance certificate, delivered to Lessor, in the form supplied by Lessor.
6. **NUMBER OF LEASE PAYMENTS:** 63
7. **LEASE PAYMENT** (per payment period): #1-3 @ \$6,299.06; #4-63 @ \$30,414.18
Base Rate: 1.88000%
Reference Rate: Yield of the 5 Year Swap Rate
Base Rate Determination Date: December 07, 2010
Reference Rate Source: Federal Statistical Release H.15
Payable:
☒ In Advance - First Lease Payment due on the Commencement Date, or if Interim Rent is applicable, the first day immediately following the Interim Period.
8. **PAYMENT PERIOD:** Monthly
9. (a) **ADVANCE LEASE PAYMENT(S):** #4; TOTALING \$30,414.18
9. (b) **DOCUMENTATION FEE:** \$0.00 due on invoice
10. (a) **EQUIPMENT LOCATION** (if different from Lessee's address above): 2310 Peger Road, Fairbanks, AK 99709-5315
10. (b) **LESSEE'S STATE OF INCORPORATION/ORGANIZATION:** Washington
11. **INTERIM RENT APPLICABLE:** ☐ YES ☒ NO
AMOUNT: \$0.00
12. **PURCHASE OPTION:** Lessee selects the following option (which shall be irrevocable by Lessee once exercised):
OPTION A ☐ a Fair Market Value Purchase Option.
OPTION B ☐ a Fixed Purchase Option at a Purchase Option Price of % of the Total Equipment Cost.
OPTION C ☒ a Nominal Fixed Purchase Option at a Purchase Option Price of \$1.00.

THE TERMS AND CONDITIONS OF THE FOREGOING OPTIONS AND OTHER IMPORTANT PROVISIONS ARE SET FORTH ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed the Lease as of the dates set forth below. For all purposes hereof, the date of the Lease shall be the date of Lessor's acceptance as set forth below. LESSEE ACKNOWLEDGES THAT NEITHER LESSOR NOR THE SUPPLIER IS AN AGENT OR REPRESENTATIVE OF THE OTHER AND NEITHER HAS AUTHORITY TO BIND THE OTHER.

ACCEPTED BY:

LESSOR: SIEMENS FINANCIAL SERVICES, INC.

BY: Melissa L. Tallamy
(Authorized Signature)
NAME: Melissa L. Tallamy
TITLE: Booking/Commencement Manager
BY: Michelle Montsey
(Authorized Signature)
NAME: Michelle Montsey
TITLE: Team Leader
DATE: 10-12-11
(Printed or Typed)

BY EXECUTION HEREOF, THE SIGNER CERTIFIES THAT (S)HE HAS READ THE ENTIRE LEASE, THAT LESSOR OR ITS REPRESENTATIVES HAVE MADE NO AGREEMENTS OR REPRESENTATIONS EXCEPT AS SET FORTH HEREIN, OR IN THE AGREEMENT, AND THAT (S)HE IS DULY AUTHORIZED TO EXECUTE THE LEASE ON BEHALF OF LESSEE.

LESSEE: Fairbanks Medical Imaging, LLC
By its Sole Member, Skagit Radiology, Inc. P.S.

BY: Karen Dec
(Authorized Signature)
NAME: Karen Dec
(Printed or Typed)
TITLE: President
(Printed or Typed)
DATE: 8/25/11

OPTION A - FAIR MARKET VALUE PURCHASE OPTION: If Option A has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for its "Fair Market Value". Fair Market Value shall mean the value of the Equipment (on an installed and operating basis) which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) under no compulsion to buy, and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Fair Market Value shall be determined by the mutual agreement of Lessor and Lessee in accordance with the preceding sentence. If Lessor and Lessee cannot agree, Fair Market Value shall be determined by a qualified independent equipment appraiser selected by Lessor and approved by Lessee, and Lessee shall pay the cost of appraisal. Provided Lessee has timely exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION B - FIXED PURCHASE OPTION: If Option B has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee shall have the option, exercisable by written notice to Lessor received by Lessor at least one hundred twenty (120) but not more than one hundred eighty (180) days before the expiration of the (original) Lease Term, to purchase on the day following the last day of such Lease Term (herein "Purchase Date") all but not less than all of the Equipment subject to the Lease for the amount specified in Option B. Provided Lessee has exercised its option to purchase, Lessee shall pay to Lessor on the Purchase Date the aforementioned purchase price in cash, together with all sales and other taxes or costs applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

OPTION C - NOMINAL FIXED PURCHASE OPTION: If Option C has been selected, provided no Default has occurred and is continuing and provided the Lease shall not have previously terminated, Lessee may purchase all but not less than all of the Equipment at the end of the (original) Lease Term for the nominal purchase price specified in Option C. Lessee shall pay to Lessor on the day following the last day of such Lease Term such purchase price together with all sales and other taxes applicable to the transfer of the Equipment and any other amounts as may be due and owing under the Lease, whereupon Lessor shall transfer its interest in the Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge.

13. LEASE PAYMENTS; ADJUSTMENTS: Lessee acknowledges that the Lease Payments herein, are based upon the Total Equipment Cost set forth above, and as a result of authorized changes to the Equipment, the final Total Equipment Cost may increase or decrease by up to 10%. In such event, the Lease Payments shall be adjusted accordingly, and Lessee authorizes Lessor to correct the Lease (and all related documentation) to reflect such changes, and Lessee, if requested by Lessor, shall confirm such changes to Lessor in writing. The Lease Payments specified in the foregoing Section 7 are based upon the Base Rate, which is the Reference Rate as reported in the Reference Rate Source for the Base Rate Determination Date (in each case as specified in Section 7). The rate that will actually be used in establishing the Lease Payments will be increased by one (1) basis point for each one (1) basis point increase in the Reference Rate, as determined by Lessor and as reported in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date (or if no Reference Rate has been published in the Reference Rate Source for the date that is two (2) business days prior to the Commencement Date, then the immediately preceding date for which a Reference Rate has been reported). Lessee acknowledges that Lessor may access the Reference Rate Source through whichever medium Lessor deems appropriate, including, without limitation, print or online editions. Lessee authorizes Lessor to unilaterally make the appropriate changes to the Lease (and all related documentation) to reflect any changes to the Lease Payments consistent with the foregoing and, if requested by Lessor, Lessee shall confirm such changes to Lessor in writing.

Leasing Schedule 21196 [SFS HC] 05-09 IAQE.doc

14. SUPPLY CONTRACT: Lessee acknowledges either that (a) Lessee has reviewed and approved any written purchase agreement or purchase order covering the Equipment ("Supply Contract") purchased from Supplier, or (b) Lessor has informed or advised Lessee, in writing, either previously or by the Lease, of the following: (i) the identity of the Supplier, (ii) that Lessee may have rights under the Supply Contract, and (iii) that Lessee may contact the Supplier for a description of any such rights Lessee may have under the Supply Contract. If Lessee has entered into a written Supply Contract, then Lessee hereby assigns to Lessor all of Lessee's rights and interests in and to the Equipment and the Supply Contract. If requested by Lessor, Lessee shall obtain any consent required for such assignment. If Lessee has not entered into any such Supply Contract, Lessee authorizes Lessor to (and Lessor may at its option) act on behalf of Lessee to obtain a Supply Contract from Supplier. Lessor's sole obligation under the Supply Contract shall be to pay the Supplier for the Equipment, if (and only if) the Equipment is accepted by Lessee under the Lease, and Lessee, not Lessor, shall at all times remain liable to perform all of the duties and obligations under the Supply Contract. Lessee hereby represents and warrants that: (a) Lessee has delivered herewith a true and correct copy of the Supply Contract; (b) neither Supplier nor Lessee is in default under the Supply Contract; (c) the Supply Contract shall not be amended without Lessor's prior written consent; and (d) the Supply Contract is free from all claims, security interests, liens and encumbrances, except for the interest being conveyed hereunder. Lessee shall indemnify and hold Lessor (and its assigns) harmless with respect to any and all claims relating to the performance of Lessee's obligations under the Supply Contract.

15. MISCELLANEOUS: Lessor and Lessee agree that the terms and conditions of the Agreement are hereby incorporated into this Leasing Schedule to the same extent as if such terms and conditions were set forth in full herein. **THIS LEASING SCHEDULE (AS INCORPORATING THE TERMS OF THE AGREEMENT), TOGETHER WITH ANY APPLICABLE STIPULATED LOSS VALUE SCHEDULE, CONTAIN THE COMPLETE AGREEMENT OF THE PARTIES WITH RESPECT TO ITS SUBJECT MATTER AND SUPERSEDE AND REPLACE ANY PREVIOUSLY MADE PROPOSALS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS.** Capitalized terms used herein, which are not otherwise defined herein, shall have the same meanings as set forth in the Agreement. **LESSOR AND LESSEE AGREE THAT ALL ACTIONS OR PROCEEDINGS RELATING DIRECTLY OR INDIRECTLY TO THE LEASE AND THE TRANSACTION CONTEMPLATED HEREBY MAY BE LITIGATED IN THE FEDERAL, STATE OR LOCAL COURTS SITTING IN OR FOR THE COUNTY OF MIDDLESEX, NEW JERSEY, AND HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS.** Lessor and Lessee acknowledge that such courts are convenient forums and waive any defense based upon doctrines of venue or forum non-conveniens or similar rules or doctrines. Lessee consents to service of process by certified mail or by overnight delivery by a nationally recognized courier at its address above (or to such other address as Lessee shall have designated by proper notice) in connection with any legal action brought by Lessor. Any amendments contained or incorporated into this Leasing Schedule, which in any way alter the terms of the Agreement, shall be effective only with respect to this Leasing Schedule and shall be ineffective with respect to any other Leasing Schedule. The Lease shall become effective at the time of Lessor's acceptance (by execution hereof) at its corporate offices, by an authorized representative of Lessor. Whenever Lessee is required to pay the applicable Stipulated Loss Value hereunder with respect to all or any portion of the Equipment, upon payment of such amount by Lessee and satisfaction of all other obligations of Lessee under the Lease (and satisfaction of all other obligations secured by such Equipment under any Leasing Schedule or any other agreement), Lessor shall transfer its interest in such Equipment to Lessee without recourse, on an **AS-IS, WHERE-IS** basis and without any warranty, express or implied from Lessor, other than the absence of any liens by or through Lessor, except those (if any) Lessee is obligated to discharge. In the event the Lease is deemed to be a security agreement, (i) Lessee hereby grants to Lessor and Lessor shall have, to secure all payments and all other obligations of Lessee to Lessor under the Lease, a security interest in the Equipment together with all accessions, attachments, replacements, substitutions, modifications and additions thereto, now or hereafter acquired, and all Proceeds (as defined in the applicable Uniform Commercial Code) thereof (including insurance proceeds), and (ii) notwithstanding any applicable state laws to the contrary, Lessee agrees to reimburse Lessor for all reasonable attorneys' fees incurred by it incident to any action or proceeding involving the Lessee brought pursuant to the Bankruptcy Code, as amended, which are allowable under Section 506(b) thereof.

Clinical

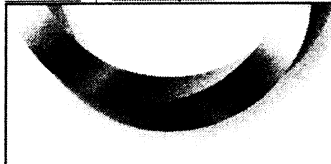
Property Description	Date In Service	Cost	AHA life
<u>Group: FURNITURE & EQUIPMENT</u>			
SOMATOM EMOTION 16 Q1-2510HK	1/01/11	340,000.00	5
XRAY QUANTUM TUBE	8/15/11	61,213.03	5
XRAY CR SYSTEM READER	7/11/11	41,000.00	7
MRI WHEELCHAIR	7/26/11	2,955.34	5
MRI TRANSPORT GURNEY	8/09/11	4,534.98	7
MRI INJECTOR	6/10/11	55,004.55	5
PT SPOT VITAL SIGNS MONITOR	8/11/11	2,411.24	10
CRASH CART	9/13/11	<u>3,006.75</u>	10
TOTAL		<u>510,125.89</u>	
<u>Group: BUILDING & BLDG IMPROV.</u>			
LEASE IMPROVEMENTS 2011	1/01/11	1,028,046.14	
Grand total		1,538,172.03	

Article from Imaging Biz

**Sg2: More than 90% of Decade's imaging Growth Will Occur in
Outpatient Sector**

September 15, 2007

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Sg2: More than 90% of Decade's Imaging Growth Will Occur in Outpatient Sector

by Staff Writer on September 15, 2007

Imaging will grow a respectable but relatively sedate 12% to 14% over the next 10 years, and the vast majority of that growth will occur in the outpatient sector, predicted Michael Silver, PhD, vice president, Sg2, Skokie, Ill, at the 2nd Annual GE Healthcare Outpatient Imaging Center Conference in Washington, a rate roughly one third of the imaging growth rate of the previous decade. Silver identified five major growth areas over the coming decade, including cardiovascular imaging, cancer-related imaging, and neurological imaging.

Radiology could see more of what Silver calls broad, "Excel-sheet" cuts to federal health care programs, like those wrought by the Deficit Reduction Act of 2005. The intention of the federal government in enacting the Deficit Reduction Act, Silver maintained, was to decrease the growth rate for imaging and to force a payment volume correction. In effecting that strategy, the government targeted the entrepreneurial and opportunistic segment of the market, which is much more sensitive to growth and payment levels than the hospital market.

"They don't look at imaging in a granular manner at all, it's a line on the Excel spread sheet," he explained. "In general, any rapid growth is growth that should be inhibited: They want predictable growth."

Payor Trends

Both government and private payors are making a big push toward quality incentives, pay for performance (P4P) initiatives, accreditation, and pre-certification programs. Payers perceive P4P as another tool to decrease the growth of imaging across the market, as such programs impact all players in the market, from physicians to diagnostic imaging centers to the hospital. "Overall, they would like to see more evidence-based discipline and that will be part of the quality programs that we are going to see in the marketplace," Silver said.

Expect CMS to push for national policies on new technologies and techniques, such as its recent actions relative to coronary CTA, Silver said. Creating registries is a strategy that plays the double duty of building evidence and discouraging participation of the original referring physicians who are unwilling to deal with the paperwork, Silver noted.

Fraud is a growing target of both CMS and state prosecutors, Silver said. "Their experience with the home health care program investigation in Florida has triggered a complete awareness within a lot of the government agencies that where there is smoke, there is fire," said Silver. "When they see rapidly growing utilization, they will look for the smoke in terms of where the abuse is taking place in those areas in general. Their strategy to control the growth rate of imaging is to lower the dollars and raise the hurdles for opportunistic or other aspects of imaging."

Private payors are more willing to get more granular in technology assessment, but, on the whole, they also are looking to contain growth. "Following the lead from CMS, they are getting much more emboldened than they have been in the past," noted Silver. "They are looking very aggressively at pre-certification programs, they are looking at preferred provider networks, and it is probably safe to say that there are no payer executives who will get fired today for proposing more restrictions on imaging or more qualifications on imaging procedures that are done in the marketplace. This is very different than where they were a few years ago, or in the mid-90s, when they got negative feedback on the growth of managed care."

Imaging Forecast

Nonetheless, imaging volume will grow over the next 10 years, Silver predicted, with outpatient growth significantly exceeding inpatient growth. Total imaging will grow about 12% to 14%; and just 1% of that 12-14% will be due to inpatient growth, Silver predicted. Outpatient imaging growth will occur due to the ongoing shift in care to the outpatient setting coupled with reimbursement shifts, Silver said.

Data based on 2005 claims from Sg2 confirms that neurosurgeons, neurologists, oncologists, and orthopedic surgeons are currently leading the way in the ordering of outpatient advanced imaging (MR, CT and PET) per 100 patient encounters at the following rates:

Neurosurgery: 40

Neurology: 30

Oncology: 24

Orthopedic Surgery: 22

However, primary care physicians were the source of nearly 50% of all advanced imaging orders, compared to orthopedic surgeons at about 12%; neurologists at about 10%; and oncologists and cardiologists, neck and neck, both near 8%. "Looking at the distribution of orders by specialty, primary care providers are overwhelmingly the largest group ordering MRs, CTs, and PET/CTs," Silver said, noting that PCPs are being targeted by radiology benefits management companies (RBMs). "Their rationale is that specialists know why they think an MR or CT is necessary for a given patient, but their operating guideline is that most primary care providers don't have the evidence-based understanding of why an MR or CT may be necessary," Silver explained. "And that is why they are targeting, more and more, the PC providers. That has implications for your marketing activities and business projections for the future."

Sg2 has identified five growth areas for outpatient imaging over the next 10 years (2007 to 2017):

Cancer-related imaging. Cancer-related outpatient advanced imaging will experience a 171% growth in the next 10 years, excluding non-cancer mammography, according to Sg2 projections. A 48% increase in cancer-related visits will boost volume in all sectors of the cancer care continuum, including chemotherapy (38%), radiation therapy (31%), and surgery (24%). An overwhelming 98% of this care will be delivered in the outpatient sector, according to Sg2 projections.

Neurological imaging. Sg2 projects a total 19% increase in outpatient neurosciences growth, with a 26% growth in advanced imaging and an aggressive 116% increase in stereotactic surgery procedures.

Spine imaging. The total outpatient spine procedures market will grow 37% according to Sg2 predictions. Currently imaging accounts for 74% of all outpatient spine-related procedures; injections account for 20%, spinal procedures account for 5%, vertebroplasty/kyphoplasty contribute 0.5%, and exploration/decompression account for 0.4%. In the next ten years, Sg2 projects a 44% increase in advanced spine imaging; a 93% increase in vertebroplasty/kyphoplasty; a 106% increase in exploration/decompression; an 18% increase in injections; and a 15% increase in spinal procedures.

Sg2's prediction for a 44% growth in spine imaging is lower than it has been in the past because government payors are taking a hard look at spine procedures. "If you think imaging is in the crosshairs, spine imaging is even more so because there is much less evidence for a lot of the spine procedures that are being done in the country," Silver explained. "There is huge variation in the rate of different spine procedures done in the U.S. depending on where you are in the country. For discectomy there is an eight-fold variation across the country and for spinal fusion there is a 20-fold variance across the country. In general, because of all the attention being focused on spine surgery, the imaging associated with that is probably going to be coming down."

MSK imaging. Sg2 predicts a 46% increase in musculoskeletal imaging. "The good news about that for imagers is that the majority is what we might call sports medicine-related, and that is not paid under Medicare," Silver said.

Cardiovascular imaging. Sg2 predicts a 207% increase in cardiovascular imaging over 10 years. The rate at which coronary CTA is reimbursed will likely determine whether cardiologists or radiologists ultimately claim the market, but radiologists are well-positioned to benefit from the surge in peripheral artery imaging, Silver said. "On the cardiovascular side, and this is the big growth opportunity, as more and more patients survive cancer, as cancer becomes more of a chronic disease, patients go on to develop heart disease as other disease treatments become better," he explained. "So we project about a 210% increase in cardiovascular-related imaging, and the big growth area for cardiovascular is in peripheral vascular disease. A lot of services are being developed in the marketplace for treatment of peripheral vascular disease over the next 10 years."

This series will conclude with Part III in the October edition.

Part III in this series focuses on business practices and will be published in the October issue.

Related Articles

Q & A with Daniel D. Maki, MD: A Very Good Month for Breast MRI

Congress Blindsides Radiology, Votes to Cap PFS Technical Reimbursement at HOPPS Rates

The Outpatient Imaging Forecast Is Mixed, but Growth Is Ensured

Creating a Smart—and Grand—Opening

CXOFiles No.4 Joe A. Paul and Paul N. Cote: The Pair Behind Cypress Partners, LLC

Comments

Additional Financials

Projected Budget

Balance Sheets

Note: regarding discrepancy and higher amount in the application.

Balance sheets indicate Lease improvements \$1,564,366.44 for both Clinical and non clinical space. DuClos Construction has estimated the Clinical space to be at \$623,000.

\$1,564,366.44

-623,000.00

\$941,366.44

On page 10 of the application the non clinical costs of the project is listed at \$956,364.73

The number on page 10 is higher than the \$941,366.44 due to the fact that it is a certified cost estimate from DuClos.

Schedule Facility Income Statement I

	Year 1	Year 2	Year 3
Patient Revenue	\$3,686,134.45	\$3,907,302.52	\$4,141,740.67
Less Refunds	\$73,632	\$ 74,000.00	\$ 74,000.00
other income			
Total income	\$3,612,502.45	\$3,833,302.52	\$4,067,740.67
Expenses			
Salaries / Labor	\$ 731,863.07	\$ 753,818.96	\$ 776,433.53
Other expenses	\$ 210,000.00	\$ 216,300.00	\$ 222,789.00
Depreciation	\$ -		
Interest	\$ 4,200.00	\$ 2,200.00	\$ -
Equipment rental	\$ 256,000.00	\$ 256,000.00	\$ 256,000.00
Rent	\$ 293,100.62	\$ 293,100.62	\$ 293,100.62
Supplies	\$ 55,000.00	\$ 57,750.00	\$ 60,637.50
Utilities	\$ 126,848.40	\$ 133,190.82	\$ 139,850.36
Repairs and Maintenance	\$ 328,000.00	\$ 344,400.00	\$ 361,620.00
Property tax	\$ 8,000.00	\$ 8,500.00	\$ 9,000.00
Total Expense	\$ 2,013,012.08	\$ 2,065,260.39	\$ 2,119,431.00
Excess (Shortage) of Revenue	\$1,599,490.37	\$1,768,042.13	\$1,948,309.67

12:22 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging
Balance Sheet
As of December 31, 2011
Dec 31, 11

ASSETS

Current Assets

Checking/Savings

10000 · Fairbanks - Wells Fargo Cking 58,740.81

Total Checking/Savings 58,740.81

Total Current Assets 58,740.81

Fixed Assets

13000 · BLDG - FMI LEASE IMPROVEMENT 1,564,366.44

13100 · Furniture and Fixture 24,940.77

14000 · Computer Equipment 38,473.98

15000 · Office Equipment 14,843.59

16100 · Medical Equipment

16110 · X - Ray Quantum Tube 61,213.03

16111 · X-Ray CRSystem Reader 41,000.00

16112 · DRE Blanket Warmer 3,697.00

16115 · AED - Defibrillator 1,199.00

16120 · MRI Injector 55,004.55

16130 · Dual Tier Carts 11,572.36

16140 · MRI Wheelchair 2,955.34

16150 · MRI Transport Gurney 4,534.98

16160 · Pt. Spot Vital Signs Monitor 2,411.24

16170 · Crash Cart 3,006.75

16180 · U/S Vapor Sterilization System 1,546.38

16190 · MRI RS Table Extension 1,476.00

16200 · SOMOTOM - CT 340,000.00

16210 · MAGNETOM VERIO - MRI 1,632,585.00

Total 16100 · Medical Equipment 2,162,201.63

17000 · Accumulated Depreciation -676,941.51

Total Fixed Assets 3,127,884.90

Other Assets

18700 · Architects - preopening 314,637.00

Total Other Assets 314,637.00

TOTAL ASSETS 3,501,262.71

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

21000 · Bz Bk - Equipment Loan - X-Ray 84,053.56

21020 · MEDRAD - MRI Injector Loan 30,710.86

12:22 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging Balance Sheet

As of December 31, 2011
Dec 31, 11

21100 · W Fargo Loan Tenant Improvmt	<u>589,503.77</u>
Total Other Current Liabilities	<u>704,268.19</u>
Total Current Liabilities	704,268.19
Long Term Liabilities	
21150 · N/P - SRI	1,864,512.68
21200 · SIEMENS EQUIPMENT	
21210 · SOMATOM - CT LEASE	329,936.27
21220 · MANETOM VERIO - MRI	<u>1,583,268.22</u>
Total 21200 · SIEMENS EQUIPMENT	<u>1,913,204.49</u>
Total Long Term Liabilities	<u>3,777,717.17</u>
Total Liabilities	4,481,985.36
Equity	
Net Income	<u>-980,722.65</u>
Total Equity	<u>-980,722.65</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,501,262.71</u></u>

12:24 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging Balance Sheet

As of December 31, 2012
Dec 31, 12

ASSETS

Current Assets

Checking/Savings

10000 · Fairbanks - Wells Fargo Cking

112,626.79

Total Checking/Savings

112,626.79

Total Current Assets

112,626.79

Fixed Assets

13000 · BLDG - FMI LEASE IMPROVEMENT

1,564,366.44

13100 · Furniture and Fixture

24,940.77

13500 · Other Equipment

13510 · Steam Canister

1,488.47

Total 13500 · Other Equipment

1,488.47

14000 · Computer Equipment

14200 · Software

655.90

14000 · Computer Equipment - Other

43,987.96

Total 14000 · Computer Equipment

44,643.86

15000 · Office Equipment

14,843.59

16100 · Medical Equipment

16110 · X - Ray Quantum Tube

61,213.03

16111 · X-Ray CRSystem Reader

41,000.00

16112 · DRE Blanket Warmer

3,697.00

16115 · AED - Defibrillator

1,199.00

16120 · MRI Injector

55,004.55

16130 · Dual Tier Carts

11,572.36

16140 · MRI Wheelchair

2,955.34

16150 · MRI Transport Gurney

4,534.98

16160 · Pt. Spot Vital Signs Monitor

2,411.24

16170 · Crash Cart

3,006.75

16180 · U/S Vapor Sterilization System

1,546.38

16190 · MRI RS Table Extension

1,476.00

16200 · SOMOTOM - CT

340,000.00

16210 · MAGNETOM VERIO - MRI

1,632,585.00

Total 16100 · Medical Equipment

2,162,201.63

17000 · Accumulated Depreciation

-1,686,855.07

Total Fixed Assets

2,125,629.69

Other Assets

18700 · Architects - preopening

314,637.00

Total Other Assets

314,637.00

12:24 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging
Balance Sheet
As of December 31, 2012
Dec 31, 12

TOTAL ASSETS 2,552,893.48

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

21000 · Bz Bk - Equipment Loan - X-Ray 68,083.33

21020 · MEDRAD - MRI Injector Loan 23,376.90

Total Other Current Liabilities 91,460.23

Total Current Liabilities 91,460.23

Long Term Liabilities

21150 · N/P - SRI 639,512.68

21200 · SIEMENS EQUIPMENT

21210 · SOMATOM - CT LEASE 278,438.38

21220 · MANETOM VERIO - MRI 1,335,950.45

Total 21200 · SIEMENS EQUIPMENT 1,614,388.83

Total Long Term Liabilities 2,253,901.51

Total Liabilities 2,345,361.74

Equity

20500 · Retained Earnings -980,722.65

Net Income 1,188,254.39

Total Equity 207,531.74

TOTAL LIABILITIES & EQUITY 2,552,893.48

12:24 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging
Balance Sheet
As of September 30, 2013
Sep 30, 13

ASSETS

Current Assets

Checking/Savings

10000 · Fairbanks - Wells Fargo Cking

90,662.71

Total Checking/Savings

90,662.71

Total Current Assets

90,662.71

Fixed Assets

13000 · BLDG - FMI LEASE IMPROVEMENT

1,564,366.44

13100 · Furniture and Fixture

24,940.77

13500 · Other Equipment

13510 · Steam Canister

1,488.47

Total 13500 · Other Equipment

1,488.47

14000 · Computer Equipment

14100 · Hardware

16,748.55

14200 · Software

655.90

14000 · Computer Equipment - Other

43,987.96

Total 14000 · Computer Equipment

61,392.41

15000 · Office Equipment

14,843.59

16100 · Medical Equipment

16110 · X - Ray Quantum Tube

61,213.03

16111 · X-Ray CRSsystem Reader

41,000.00

16112 · DRE Blanket Warmer

3,697.00

16115 · AED - Defibrillator

1,199.00

16120 · MRI Injector

55,004.55

16130 · Dual Tier Carts

11,572.36

16140 · MRI Wheelchair

2,955.34

16150 · MRI Transport Gurney

4,534.98

16160 · Pt. Spot Vital Signs Monitor

2,411.24

16170 · Crash Cart

3,006.75

16180 · U/S Vapor Sterilization System

1,546.38

16190 · MRI RS Table Extension

1,476.00

16200 · SOMOTOM - CT

340,000.00

16210 · MAGNETOM VERIO - MRI

1,632,585.00

Total 16100 · Medical Equipment

2,162,201.63

17000 · Accumulated Depreciation

-1,686,855.07

Total Fixed Assets

2,142,378.24

Other Assets

18700 · Architects - preopening

314,637.00

19100 · Lease Security Deposit

17,800.00

12:24 PM
10/03/13
Accrual Basis

Fairbanks Medical Imaging

Balance Sheet

As of September 30, 2013
Sep 30, 13

Total Other Assets	332,437.00
TOTAL ASSETS	2,565,477.95
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20001 · Accounts Payable	22,920.06
Total Accounts Payable	22,920.06
Other Current Liabilities	
21000 · Bz Bk - Equipment Loan - X-Ray	52,784.50
21020 · MEDRAD - MRI Injector Loan	11,688.42
Total Other Current Liabilities	64,472.92
Total Current Liabilities	87,392.98
Long Term Liabilities	
21150 · N/P - SRI	639,512.68
21200 · SIEMENS EQUIPMENT	
21210 · SOMATOM - CT LEASE	221,432.29
21220 · MANETOM VERIO - MRI	1,062,222.83
Total 21200 · SIEMENS EQUIPMENT	1,283,655.12
Total Long Term Liabilities	1,923,167.80
Total Liabilities	2,010,560.78
Equity	
20500 · Retained Earnings	207,531.74
20600 · S/H Distributions or Draw	-725,397.88
Net Income	1,072,783.31
Total Equity	554,917.17
TOTAL LIABILITIES & EQUITY	2,565,477.95

Modality Volume, Payor Mix Reimbursements

Payor Reimbursement	2011	2012	2013 ✕
Commerical *	\$ 380,534.97	\$ 1,385,052.28	\$ 928,110.17
Premera	\$ 256,424.35	\$ 710,071.61	\$ 496,039.30
Medicare	\$ 28,038.81	\$ 88,592.32	\$ 71,977.46
Worker's Comp	\$ 123,720.16	\$ 425,884.67	\$ 347,121.09
DSHS	\$ 30,720.74	\$ 86,459.14	\$ 69,080.87
Tricare **	\$ 176,944.60	\$ 501,033.03	\$ 353,197.26
Self Pay	\$ 110,806.25	\$ 397,660.60	\$ 310,695.91
	\$1,107,189.88	\$ 3,594,753.65	\$ 2,576,222.06

*Commercial Insurance includes Motor Vehicle Insurance

**Tricare includes all Tricare members, Veteran's Affairs Patients

Last
Appendix
item
Cover
Sheet

Additional Financials

Projected Budget

Balance Sheets

Note: regarding discrepancy and higher amount in the application.

Balance sheets indicate Lease improvements \$1,564,366.44 for both Clinical and non clinical space. DuClos Construction has estimated the Clinical space to be at \$623,000.

\$1,564,366.44

-623,000.00

\$941,366.44

On page 10 of the application the non clinical costs of the project is listed at \$956,364.73

The number on page 10 is higher than the \$941,366.44 due to the fact that it is a certified cost estimate from DuClos.

error

does not
relate to
tenant
improvements

